



21 Holdings Limited
21 控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 1003

The board of directors (the “Board”) of 21 Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	<i>Notes</i>		
Revenue	3	105,876	85,272
Cost of sales		(90,807)	(68,557)
Gross profit		15,069	16,715
Income and gains(losses) from investments	4	(516)	—
Other income		375	372
Distribution costs		(3,088)	(2,168)
Administrative expenses		(14,438)	(15,581)
Fair value loss on derivative component of convertible notes		—	(106,441)
Gain on disposal of investment properties	14	4,084	—
Finance costs	5	(3,770)	(5,268)
Loss before income tax	6	(2,284)	(112,371)
Income tax expense	7	(418)	(308)
Loss for the period/Total comprehensive expense for the period attributable to owners of the Company		(2,702)	(112,679)
		HK\$	HK\$ (As restated)
Loss per share for loss attributable to owners of the Company during the period	9		
Basic		(0.00)	(0.39)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	<i>Notes</i>	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	487	183
Goodwill		256,000	256,000
		256,487	256,183
Current assets			
Trade and other receivables	11	58,418	42,260
Other deposits	12	57,000	—
Financial assets at fair value through profit or loss	13	49,364	—
Bank balances and cash		50,285	97,154
		215,067	139,414
Non-current assets classified as held for sale	14	—	14,106
		215,067	153,520
Current liabilities			
Trade and other payables	15	49,725	47,469
Convertible notes — due within one year	16	57,476	—
Provision for tax		949	531
		108,150	48,000
Net current assets		106,917	105,520
Total assets less current liabilities		363,404	361,703
Non-current liabilities			
Convertible notes — due after one year	16	67,055	122,054
		67,055	122,054
Net assets		296,349	239,649
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	22,539	18,069
Reserves		273,810	221,580
Total equity		296,349	239,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	(unaudited)					
	Share capital	Share premium	Capital reserve	Convertible	Accumulated losses	Total equity
				notes equity reserve		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2009	156,456	168,098	2,099	14,679	(284,879)	56,453
Loss for the period	—	—	—	—	(112,679)	(112,679)
Total comprehensive expense for the period	—	—	—	—	(112,679)	(112,679)
Elimination of accumulated losses of the Company upon capital reduction	(155,830)	(168,098)	—	—	323,928	—
Issue of shares upon placing of shares	1,553	21,642	—	—	—	23,195
Transactions with owners	(154,277)	(146,456)	—	—	323,928	23,195
At 30 June 2009	2,179	21,642	2,099	14,679	(73,630)	(33,031)
At 1 January 2010	18,069	310,041	2,099	14,679	(105,239)	239,649
Loss for the period	—	—	—	—	(2,702)	(2,702)
Total comprehensive expense for the period	—	—	—	—	(2,702)	(2,702)
Issue of shares upon placing of shares (note 17(a))	4,470	56,205	—	—	—	60,675
Share issue expense	—	(1,273)	—	—	—	(1,273)
Transactions with owners	4,470	54,932	—	—	—	59,402
At 30 June 2010	22,539	364,973	2,099	14,679	(107,941)	296,349

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash used in operating activities	(65,291)	(10,509)
Net cash generated from investing activities	16,019	25
Net cash generated from financing activities	2,403	11,015
Net (decrease)/increase in cash and cash equivalents	(46,869)	531
Cash and cash equivalents at beginning of the period	97,154	11,888
Cash and cash equivalents at end of the period, represented by bank balances and cash	50,285	12,419

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of the Group for the year ended 31 December 2009 except as described below.

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. SEGMENT INFORMATION

The Group's operating segments are as follows:

Business segment	Nature of business activities
1. Property agency	Provision of property agency and related services;
2. Toy products trading	Sourcing and distribution of toy, gift and premium products; and
3. Securities trading and investments	Trading and investing of marketable securities

The following is an analysis of the Group's revenue by business segment and reportable segment profit/loss;

	Six months ended 30 June 2010			
	Property agency HK\$'000	Toy products trading HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Revenue				
— External sales	47,043	58,833	—	105,876
Reportable segment profit/(loss)	3,384	(2,536)	(609)	239
Unallocated corporate income				24
Unallocated corporate expenses				(2,861)
Gain on disposal of investment properties				4,084
Finance costs				(3,770)
Loss before income tax				(2,284)
Income tax expense				(418)
Loss for the period				(2,702)

3. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June 2009			
	Property agency HK\$'000	Toy products trading HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Revenue				
— External sales	50,188	35,084	—	85,272
Reportable segment profit/(loss)	4,853	(2,793)	—	2,060
Unallocated corporate income				24
Unallocated corporate expenses				(2,746)
Fair value loss on derivative component of convertible notes				(106,441)
Finance costs				(5,268)
Loss before income tax				(112,371)
Income tax expense				(308)
Loss for the period				(112,679)

The following is an analysis of the Group's assets by business segment:

	As at 30 June 2010			
	Property agency HK\$'000	Toy products trading HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Reportable segment assets	298,127	16,201	49,364	363,692
Other corporate assets				107,862
Group assets				471,554

	As at 31 December 2009			
	Property agency HK\$'000	Toy products trading HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Reportable segment assets	293,699	14,212	—	307,911
Other corporate assets				101,792
Group assets				409,703

4. INCOME AND GAINS(LOSSES) FROM INVESTMENTS

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Interest income from convertible notes designated at fair value through profit or loss	343	—
Increase(decrease) in fair value of:		
— investments held for trading	(3,954)	—
— convertible notes designated at fair value through profit or loss	3,095	—
	(516)	—

5. FINANCE COSTS

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Interest charges on:		
Bank loans and other borrowings wholly repayable within five years	4	4
Convertible notes	3,766	3,937
Promissory note	—	1,327
Total interest expenses on financial liabilities not at fair value through profit or loss	3,770	5,268

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Staff costs (include directors' emoluments)	6,795	7,122
Operating lease payments for premises	2,012	1,940
Cost of inventories recognised as expense	56,465	33,558
Depreciation of property, plant and equipment	37	261
Reversal of provision for impairment losses on trade receivables	(560)	—
Net exchange (gain)/loss	(3)	60
Loss on disposal of property, plant and equipment	17	296

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profit for the period.

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current tax — Hong Kong		
Tax for the period	418	296
Under provision in respect of prior years	—	12
Total income tax expense	418	308

No deferred tax asset has been recognised in respect of the unused tax losses of the Group due to the unpredictability of future profit streams.

8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Loss attributable to owners of the Company for the purpose of basic loss per share	(2,702)	(112,679)
	Number of shares '000	Number of shares '000 (As restated) (note)
Weighted average number of ordinary shares for the purpose of basic loss per share	1,996,773	290,082

Note: The weighted average number of shares for the purpose of basic loss per share for the six months ended 30 June 2009 was adjusted to reflect the issue of 1,445,529,192 rights shares at a price of HK\$0.10 per right share on 21 December 2009.

Diluted loss per share for the six months ended 30 June 2010 and 2009 have not been presented because the impact of conversion of convertible notes was anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with cost of approximately HK\$365,000 (six months ended 30 June 2009: HK\$13,000) and disposed of property, plant and equipment with net book value of approximately HK\$24,000 (six months ended 30 June 2009: HK\$334,000).

11. TRADE AND OTHER RECEIVABLES

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Trade receivables		
From third parties	42,771	36,820
Less: provision for impairment losses of trade receivables	(1,256)	(1,816)
	41,515	35,004
Other receivables		
Deposits, prepayments and other receivables	6,203	7,256
Promissory note receivable (<i>note</i>)	10,700	—
	58,418	42,260

Note: The promissory note receivable is unsecured, interest-bearing at 2% and repayable on demand or on 10 December 2010.

For toy products trading segment, the Group allows an average credit period ranging from 30 to 90 days to its trade customers. For property agency segment, the customers are obliged to settle the amounts upon completion of the relevant agreements and no general credit facilities are available. Based on the invoice dates and relevant agreements, the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the reporting date is as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
0 to 30 days	14,814	18,077
31 to 60 days	6,099	4,959
61 to 90 days	6,340	3,431
Over 90 days	14,262	8,537
	41,515	35,004

12. OTHER DEPOSITS

The balances at 30 June 2010 represented deposits paid by the Company for repurchase part of the outstanding convertible notes issued by the Company on 23 July 2008 in the principal amount of HK\$60,000,000. Subsequent to the end of the reporting period, the transactions have been completed. Details are set out in note 20.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Investments held for trading, at market value		
Equity securities listed in Hong Kong (<i>note a</i>)	22,054	—
Convertible notes designated at fair value through profit or loss (<i>note b</i>)	27,310	—
	49,364	—

Notes:

- a. As at 30 June 2010, the fair value of the Group's investments held for trading was based on the quoted prices of the respective securities in active market for identical assets.
- b. During the period ended 30 June 2010, the Group purchased two convertible notes with principal amounts of HK\$16,500,000 issued by Hanny Holdings Limited ("Hanny 2011") and US\$5,000,000 (approximately HK\$38,798,000) issued by Crosby Capital Limited ("Crosby 2011") at consideration of HK\$12,540,000 and US\$1,500,000 (approximately HK\$11,675,000), respectively. Hanny 2011 carries interest at 2% per annum with maturity on 15 June 2011 at redemption of 100% of the principal amount. Crosby 2011 is a zero coupon convertible note with maturity on 8 March 2011 at redemption of 116.1% of the principal amount.

During the period ended 30 June 2010, a gain on change in fair value of convertible notes designated at fair value through profit or loss, of which the fair value is measured under Binomial Tree Model, was HK\$3,095,000 which was recognised in profit or loss.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 15 December 2009, the Group entered into an agreement with an independent third party for the disposal of the Group's investment properties at a consideration of HK\$18,200,000. Accordingly, the carrying amount of investment properties was reclassified as non-current assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2009.

The transaction was completed on 25 February 2010 and a gain on disposal of investment properties of HK\$4,084,000 was recognised in the condensed consolidated statement of comprehensive income during the six months period ended 30 June 2010.

15. TRADE AND OTHER PAYABLES

	30 June 2010	31 December 2009
	HK\$'000	HK\$'000
Trade payables	28,374	22,673
Other payables		
Accrued charges and other creditors	21,351	24,796
	49,725	47,469

The ageing analysis of trade payables were as follows:

	30 June 2010	31 December 2009
	HK\$'000	HK\$'000
0 to 30 days	4,116	8,528
31 to 60 days	2,402	3,319
61 to 90 days	6,143	2,179
Over 90 days	15,713	8,647
	28,374	22,673

16. CONVERTIBLE NOTES

	Liability component HK\$'000	Derivative component HK\$'000
At 1 January 2009	117,352	—
Net carrying amounts on initial recognition	13,525	53,936
Imputed interest expenses	7,810	—
Interest on convertible notes accrued	(2,684)	—
Settlement on exercise of conversion rights	(13,949)	—
Change in fair value of derivative financial instruments	—	77,801
Realised on exercise of conversion rights	—	(131,737)
Net carrying amounts at 31 December 2009 and 1 January 2010	122,054	—
Imputed interest expenses	3,766	—
Interest on convertible notes accrued	(1,289)	—
Net carrying amounts at 30 June 2010	124,531	—
	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Analysed for reporting purposes as		
Current liability	57,476	—
Non-current liability	67,055	122,054
	124,531	122,054

Notes:

- a. During the period, the Company has entered into agreements with certain independent third parties to repurchase part of the outstanding convertible notes with an aggregate principal amount of HK\$60,000,000. The balance of the relevant liabilities components of HK\$57,476,000 as at 30 June 2010 is therefore reclassified as current liabilities. The transactions were completed on 2 July 2010. The details are set out in note 20.
- b. None of the convertible notes issued by the Company were converted into shares of the Company during the six months ended 30 June 2010.

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares		
At 1 January 2009, at HK\$0.125 each	4,000,000	500,000
Share consolidation of 20 ordinary shares of HK\$0.125 each into 1 ordinary share of HK\$2.5 each	(3,800,000)	—
Share subdivision	49,800,000	—
	50,000,000	500,000
At 31 December 2009, 1 January 2010 and 30 June 2010, at HK\$0.01 each		
Issued and fully paid:		
Ordinary shares		
At 1 January 2009, at HK\$0.125 each	1,251,646	156,456
Share consolidation of 20 ordinary shares of HK\$0.125 each into 1 ordinary share of HK\$2.50 each	(1,189,064)	—
Capital reduction	—	(155,830)
Issue of shares upon placing of shares	198,800	1,988
Conversion rights of convertible notes exercised	100,000	1,000
Share issued under right issue	1,445,529	14,455
	1,806,911	18,069
At 31 December 2009 and 1 January 2010, at HK\$0.01 each	447,000	4,470
Issue of shares upon placing of shares (<i>note</i>)	2,253,911	22,539
	2,253,911	22,539
At 30 June 2010, at HK\$0.01 each		

Note: Pursuant to placing agreement dated 4 January 2010, 72,000,000 Shares were issued and allotted at a consideration of HK\$0.15 per Share on 12 January 2010. Further, pursuant to placing agreement dated 26 April 2010, 375,000,000 Shares were issued and allotted at a consideration of HK\$0.133 per Share on 3 May 2010.

18. RELATED PARTIES TRANSACTIONS

During the period, the Group had the following transactions with related parties:

Related party relationship

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Companies under common control by executive directors of the Company		
Referral income received	—	42

19. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing ("Kwok"), a former director of the Company, commenced legal proceedings ("the Action") against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK\$44.5 million and accrued interest thereof.

The Action is currently pending trial at the High Court of Hong Kong SAR. The trial date of the Action was fixed for 3 January 2011 (hearing dates of 3-28 January 2011 are also reserved) and there will be a Pre-trial Review Hearing on 5 November 2010.

The Solicitors and Counsel acting for the Company have reviewed the pleadings and all evidence disclosed in the Action and they still hold good of their advice previously delivered to the Company. With the benefit of the advice of Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

20. POST BALANCE SHEET EVENTS

During the period, the Company entered into agreements with certain noteholders, who are independent third parties, pursuant to which the Company repurchased part of the convertible notes with an aggregate principal amount of HK\$60,000,000 and aggregate carrying amount of the liability component of HK\$57,476,000 at an aggregate consideration of HK\$57,000,000, representing a 5% discount to the outstanding principal amount (inclusive of interest). The transactions have been completed on 2 July 2010.

The remaining outstanding aggregate principal amount of convertible notes was HK\$70,000,000, which is convertible into 167,464,114 ordinary shares at the conversion price of HK\$0.418 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The property agency segment reported revenue of HK\$47.0 million for the six months ended 30 June 2010, a mild decline of about 6.4% as compared with HK\$50.2 million for the same period last year, which is mainly contributed by the closure of the two self-operating property agency branches in the first half of 2009. The other side of the coin is the Group no longer required to bear the heavy fixed operating cost for the two property agency branches and more resources could be directed to the primary property market and expansion of the franchising network.

With the gradual improvement in the global business environment, the performance of the toy product trading segment improved. Revenue from this segment during the six months ended 30 June 2010 was HK\$58.8 million, being a surge of HK\$23.7 million or 67.5% when compared with the corresponding period in 2009. However, the increased revenue hardly covered the distribution costs and the administrative expenses and the toy trading segment reported a loss of HK\$2.5 million.

The business of the securities trading and investments has been reactivated since January 2010 with primary objective of gaining from capital growth. During the period, the Group has acquired investments held for trading of HK\$26.0 million and convertible notes designated at fair value through profit or loss of HK\$24.2 million. The fair value of investments held for trading and convertible notes designated at fair value through profit or loss as at 30 June 2010 was HK\$22.1 million and 27.3 million, respectively. The segment reported a loss of HK\$0.6 million as a result of the temporary fluctuation of the financial market.

Prospects

The management is in the view that the favourable factors, including low interest rates, abundant capital resources and positive buying sentiment, will continue support the prosperity of the property market in the second half of 2010. The management is confident that the property agency segment will have stable performance this year. The management also envisages that the performance of toy trading segment will be moderately improved though remains difficult.

Searching for promising opportunities to enhance the performance and value of the Group is always the key task of the management. The Board will continue to search for good and promising investments for healthy growth of the Group and better return to the shareholders.

FINANCIAL REVIEW

Review of Results

For the six months ended 30 June 2010, the Group reported revenue of HK\$105.9 million, representing an increase of HK\$20.6 million or 24.2% when compared with that of the last corresponding period. Gross profits declined mildly by HK\$1.6 million from HK\$16.7 million for the last corresponding period to HK\$15.1 million. Increase in revenue with mild decline of gross profit was mainly due to more orders received for the toy product trading segment which has a lower gross margin.

Administrative expenses reduced by HK\$1.2 million or 7.7% as compared with that of last corresponding period as benefited from the closure of the two self-operating property agent branches. Finance cost, which mainly composed of interest charge for the promissory note and convertible notes issued by the Group, reduced by HK\$1.5 million with the full repayment of the interest bearing promissory note in 2009.

In combination of the above factors, together with gain on disposal of investment properties of HK\$4.1 million, the Group recorded a loss of HK\$2.7 million for the six months ended 30 June 2010.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 30 June 2010 with bank balances and cash of HK\$50.3 million (31 December 2009: HK\$97.2 million).

The Group has no bank borrowings as at 30 June 2010 and 31 December 2009. However, convertible notes with aggregate principal amount of HK\$130.0 million issued as part of the consideration for acquiring Century 21 Hong Kong Limited and its associated companies in year 2008 (the "CNS") remained outstanding as at 30 June 2010. The CNS bear interest of 2% per annum, mature on 23 July 2011 and carry rights to convert the outstanding principal amount into shares of the Company.

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 30 June 2010 was 29.6% (31 December 2009: 33.7%). Total capital is calculated as total equity plus total borrowings. The improvement in the gearing ratio is caused by the issue of new shares through placings during the review period.

Capital Structure

As at 30 June 2010, the Company has 2,253,911,490 shares of HK\$0.01 each (the "Shares") in issue. Convertible notes of aggregate principal amount of HK\$60 million were repurchased by the Company on 2 July 2010. The remaining outstanding convertible note of principal amount of HK\$70 million is convertible into 167,464,114 Shares at a conversion price of HK\$0.418 per Share.

During the period, the share capital of the Company has the following changes:

On 12 January 2010, 72,000,000 shares were allotted and issued by the Company at a placing price of HK\$0.15 per Share pursuant to general mandate granted by shareholders in the special general meeting held on 13 November 2009 and a placing agreement dated 4 January 2010.

On 3 May 2010, the Company further allotted and issued 375,000,000 shares at a placing price of HK\$0.133 per Share pursuant to the general mandate granted by the shareholders in the special general meeting held on 15 April 2010 and a placing agreement dated 26 April 2010.

The aggregate net proceed from the share placings amounted to HK\$59.4 million of which HK\$19.2 million used as the general working capital of the Company. The balance of HK\$40.2 million remain unused as at 30 June 2010 and was kept in bank account of the Group.

Charges on Assets

As at 30 June 2010 and 31 December 2009, none of the assets of the Group was under charges.

Exposure to Exchange Rates

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi. The Group's exposure to United States dollars currency risk is minimal as Hong Kong dollars is pegged to United States dollars. Nevertheless, operations and performances of the Group might be affected by the fluctuation of Renminbi. Presently, the Group does not have any currency hedging policy but will closely monitor Renminbi exchange rate and take appropriate measures to minimise any adverse impact that may be caused by its fluctuation.

Contingent Liabilities

The Group has no material contingent liabilities save that a writ of summons dated 8 October 2004 was filed by Mr. Kwok Chin Wing (“Kwok”), a former director of the Company, against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK\$44.5 million together with accrued interests thereof (the “Action”).

The Action is currently pending trial at the High Court of Hong Kong SAR. The trial date of the Action was fixed for 3 January 2011 (hearing dates of 3 to 28 January 2011 are also reserved) and there will be a pre-trial review hearing on 5 November 2010.

The solicitors and counsel acting for the Company have reviewed the pleadings and all evidence disclosed in the Action and they still hold good for their advice previously delivered to the Company. With the benefit of the advice of the solicitors and counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

Employees

As at 30 June 2010, the Group had 39 employees and 231 agents. To attract, retain and motivate its employees and agencies, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group’s employees and agencies are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

CORPORATE GOVERNANCE

The Company has complied with the code provision set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010 except for the following deviation:

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors is appointed for specific term. However, as the Directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Company considers that sufficient measures have been in place to ensure that the Company’s corporate governance practices are no less exacting than the CG Code.

Immediately following the re-designation of Mr. Cheng Yuk Wo from an independent non-executive director to an executive director of the Company on 1 May 2010, the Company had only two independent non-executive directors and two members of audit committee, the number of which falls below the minimum number of independent non-executive directors and member of audit committee required under rule 3.10(1) and rule 3.21 of the Listing Rules. The Company is still actively looking for an appropriate person to fill the vacancy and to meet the minimum requirement as soon as possible.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the review period.

Changes in Information of Directors

On 30 April 2010, Ms. Ma Wai Man, Catherine, has resigned as an executive director of the Company.

Mr. Cheng Yuk Wo ("Mr. Cheng") has been re-designated as an executive director of the Company with effect from 1 May 2010. Mr. Cheng has not entered into any service contract with the Company. There is no specific term or proposed length of services for Mr. Cheng's appointment but he is subject to retirement by rotation and eligible for re-election at annual general meeting of the Company in accordance with the bye-laws of the Company. Mr. Cheng is entitled to receive emolument of HK\$45,000 per month which is determined by the Board with reference to his experience and responsibilities in the Company.

On 1 July 2010, Mr. Cheng, has been appointed as an independent non-executive director of Imagi International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 13 May 2010, Mr. Lui Siu Tsuen, Richard, an independent non-executive director of the Company, has been appointed as an executive director of eSun Holdings Limited, a company listed on the Main Board of the Stock Exchange.

OTHER INFORMATION

Interim Dividend

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

Directors' Interests in Securities

As at 30 June 2010, the interests and short positions of the director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO") were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of shareholding <i>(note 1)</i>
Ng Kai Man ("Mr. Ng")	Beneficial owner	167,464,114 (note 2)	7.43%

Notes:

1. The percentage shareholding is calculated on the basis of 2,253,911,490 Shares in issue as at 30 June 2010.
2. Being the number of Shares issuable to Mr. Ng pursuant to a convertible note issued by the Company to Mr. Ng.

Save as disclosed above, as at 30 June 2010, none of the directors or chief executive of the Company or any of their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at 30 June 2010, the Company has not been notified of any interests or short positions of any person (other than the directors and chief executive of the Company) in the shares or underlying shares of the Company representing five percent or more in the issued share capital of the Company and recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Options

There were no outstanding share options under the share option scheme of the Company at 1 January 2010 and 30 June 2010 and no share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2010.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited condensed financial information of the Group for the six months ended 30 June 2010.

By Order of the Board

Ng Kai Man

Chairman

Hong Kong, 26 August 2010