

FEH

Stock Code: 36

遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

Interim Report 2007



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The English text of this Interim Report shall prevail over the Chinese text.

Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors:

Deacon Te Ken Chiu, J.P. (*Chairman*)

Mr. Duncan Chiu, B.Sc

(*Managing Director and
Chief Executive Officer*)

Mr. Dennis Chiu, B.A.

Non-executive Directors:

Tan Sri Dato' David Chiu, B.Sc.

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu, B.A.

Mr. Desmond Chiu, B.A.

Ms. Margaret Chiu, LL.B.

Ms. Min Tang

Independent Non-executive Directors:

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

Mr. Hing Wah Yim, CPA, FCCA

AUDIT COMMITTEE

Dr. Lee G. Lam (*Chairman*)

Mr. Ryan Yen Hwung Fong

Mr. Derek Chiu, B.A.

REMUNERATION COMMITTEE

Mr. Duncan Chiu, B.Sc (*Chairman*)

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

COMPANY SECRETARY

Mr. Hung Kwong Lui, FCPA, FCCA, CGA

QUALIFIED ACCOUNTANT

Mr. Hung Kwong Lui, FCPA, FCCA, CGA

SOLICITOR

Woo, Kwan, Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

The Bank of East Asia Limited

Hang Seng Bank Limited

REGISTERED OFFICE

16th Floor Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

PRINCIPAL OFFICE

Room 1802-1804 18th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716

17th Floor Hopewell Centre

183 Queen's Road East

Hong Kong

LISTING INFORMATION

Stock Exchange of Hong Kong Limited

("SEHK"): 036

Board Lot Size: 3,000

WEBSITE

<http://www.feholdings.com.hk>

Managing Director and Chief Executive Officer's Statement

CORPORATE RESULTS

During the six months period ended 30th June, 2007 (the "Period") the Company and its subsidiaries (the "Group") reported a turnover of HK\$39.25 million (2006: HK\$42.10 million), representing a decrease of 6.77% over corresponding period in 2006. The Group's profit attributable to equity holders of the Company amounted to HK\$38.27 million (2006: loss of HK\$1.35 million) representing a turnaround from a loss to the corresponding period in 2006.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2007, the Group had cash and bank balances, pledged deposits and deposits held at financial institutions amounting to HK\$60.56 million (2006: HK\$47.91 million). Basically, the Group's funding policy is to finance the business operations with internally generated cash and bank facilities. As at 30th June, 2007, the Group had total borrowings of HK\$29.16 million (2006: HK\$11.26 million) of which HK\$10.89 million (2006: HK\$11.01 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar. Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing Ratio and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2007 slightly raised to 12% (2006: 5.95%). While the Group's current ratio (current assets to current liabilities) as at 30th June, 2007 has been maintained at a healthy level of 5.48 (2006: 4.81). The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30th June, 2007, the total number of the issued ordinary shares was 109,450,595 shares.

Pledge of Assets

As at 30th June, 2007, certain assets of the Group with an aggregate carrying value of approximately HK\$95.3 million (2006: HK\$41.3 million) were pledge to secure loans facilities utilized by the Group.

Managing Director and Chief Executive Officer's Statement

FINANCIAL REVIEW (Continued)

Exposure on Foreign Exchange Fluctuations

The Group had no significant exposure to foreign exchange fluctuation during the period.

Contingent Liabilities and Commitments

Contingent Liabilities

As at 30th June, 2007, the Group had no contingent liabilities (2006: Nil).

Capital Commitments

The Group had no capital commitment as at 30th June, 2007 (2006: HK\$45 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 26th January, 2007, the Group disposal of 20 million shares held in Chinasoft International Limited (the "Chinasoft"), to Oriental Patron Securities Limited, an independent third party for a consideration of HK\$35.4 million. Accordingly, the equity interest in this associate held by the Group was reduced from 19.78% to approximately 17.15% of the issued share capital of Chinasoft.

On 29th January, 2007, River Joy Limited, a wholly-owned subsidiary of the Company purchased a Property at Flat C on 22nd Floor of Tower 3, Tregunter, with car parking space No. 26 on level 5 of Tower 3, No. 14 Tregunter Path, Hong Kong from Lee Lo Miu Ling and Lee Marcus at a total consideration of HK\$27 million. The Property had a total gross floor area of approximately 3,001 sq.ft. approximately HK\$8,997 per sq. ft..

In March 2007, the Group converted the entire HK\$8.3 million principal amount of convertible notes issued by Golife Concepts Holdings Limited (the "Golife") to shares. Thus the Group had increased its equity interest in Golife from 6.04% to 15.28%.

On 27th April, 2007, Power Profit Far East Limited (the "Power Profit") a wholly-owned subsidiary of the Company and First Holdings Consortium Ltd (the "First Holdings") and other subscribers have entered into the Shareholders Agreement pursuant to which Power Profit irrevocably subscribes for approximately 1.92 million shares representing 14.85% equity interest in the enlarged issued share capital of the First Holdings as at the subscription date and undertakes to fully pay up the Subscription Shares at the Subscription Price of HK\$15 million.

Managing Director and Chief Executive Officer's Statement

BUSINESS REVIEW

The Group has reduced its shareholdings in Chinasoft to approximately 130.13 million shares and its holdings as at 30th June, 2007 is 16.06%. Chinasoft has satisfactory results for the first half of 2007 with approximately turnover of RMB326.76 million and net profit of RMB14.83 million (contributable to the Group is HK\$2.12 million). After the successful acquisition of Hinge Global Resource Inc. (the "HGR") on 15th August, 2007, Chinasoft will consolidate its position as a leading IT solution provider in the PRC. We expect to see rapid growth in this company and we will remain as strategic shareholder of the company.

With a view of continuing expansion of the Hong Kong economy, together with the growth of domestic average salary, the Group has positive views towards the domestic consumption and personal finance business, therefore, an investment was made to a personal financing company, First Holdings, in April 2007.

Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (the "Jiangsu Bang Bang") recorded a turnover of HK\$14.9 million (2006: HK\$14.5 million), representing a slightly rise of 2.76% compared with the corresponding period in 2006. With the continued appreciation of Renminbi, rise of labor costs and fierce competition, garment export operation of the Group will face a difficult environment.

For Investment properties, gross rental income for the period, raised by 90% to HK\$0.76 million (2006: HK\$0.4 million) compared with the corresponding period in 2006. Overall rental income growth was primarily driven by increased rents for new lease and renewal. The property market will continue to benefit from the improving economic growth and a favourable interest rate environment.

PROSPECTS

The impacts on the global economy, as caused by the subprime mortgage issue in the U.S., are still unknown. So far, the Group sees no immediate negative impacts on its businesses and its associated companies. However, the economy in China is expected to remain bullish, the Board has strong confidence that China will continue to see exponential growth in the near future. Our Group's investment focus will remain with companies that can benefit from the rise of China.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 8th February, 2007, the name of the Company was changed from Far East Technology International Limited 遠東科技國際有限公司 to Far East Holdings International Limited 遠東控股國際有限公司 with effect from 27th February, 2007. The Board believed this would more appropriately represent the Group's business nature.

Managing Director and Chief Executive Officer's Statement

EMPLOYEE

As at 30th June, 2007, the Group had approximately 500 employees in Hong Kong and the People's Republic of China (the "PRC") (2006: 500 employees) with majority of these employees employed in the PRC. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus and discretionary employee share options would be granted to reward and motivate those well performed employees.

POST BALANCE SHEET EVENTS

The Group had the following significant subsequent events:

On 15th August, 2007, Chinasoft allotted and issued approximately 170.87 million consideration shares to HGR at a price of HK\$1.44 per consideration share. Upon the completion of the allotment and issue of shares to HGR, the equity interest in this associate held by the Group is further reduced from 16.06% to approximately 13.27% of the issued share capital of Chinasoft. The directors of the Group expected that the group would be no longer to exert significant influence over Chinasoft as HGR had appointed many directors in the Chinasoft's board of directors and the Group's equity interest in Chinasoft was greatly diluted by Chinasoft's allotment and issue of consideration shares to HGR.

On 31st August, 2007, Peterfame Company Limited, a wholly-owned subsidiary of the Company disposed a property at Lower Ground to 3rd Floor, Kwai Chung Fa Yuen, Nos. 50-56 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong to Star Way Properties Limited at a consideration of HK\$27.6 million.

On 18th September, 2007, Jubilee Star Limited ("Jubilee Star"), a wholly-owned subsidiary of the Company, and China Aviation Supplies Import and Export Group Corporation entered into the new joint venture agreement for transformation of Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan") into a sino-foreign equity joint venture by capital injection of approximately RMB38 million into Beijing Kailan by Jubilee Star, of which RMB30.71 million shall be used for the increase in the registered capital and RMB7.29 million as capital reserve.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (2006: Nil).

Additional Information Required Under The Listing Rules

DIRECTORS' INTERESTS IN SHARES

As at the 30th June, 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company:

(i) Long positions of Directors' interests in shares:

Name of director	Personal interests	Number of ordinary shares of the Company held			Total interest	Percentage of issued share capital of the Company
		Family interests	Corporate interests	Other interest		
Deacon Te Ken Chiu, J.P.	10,424,332	2,087,580 ⁽¹⁾	1,612,683	2,341,733 ⁽⁵⁾	16,466,328	15.04%
Tan Sri Dato' David Chiu	1,870,000	-	6,168,800 ⁽²⁾	-	8,038,800	7.34%
Ms. Margaret Chiu	1,100,000	-	-	-	1,100,000	1.01%
Mr. Dennis Chiu	3,520,044	-	2,200,000 ⁽³⁾	1,170,866 ⁽⁵⁾	6,890,910	6.30%
Mr. Daniel Tat Jung Chiu	2,420,000	-	11,440,044 ⁽⁴⁾	-	13,860,044	12.66%
Mr. Derek Chiu	44,220	-	-	-	44,220	0.04%
Mr. Desmond Chiu	1,022,000	-	-	-	1,022,000	0.93%
Mr. Duncan Chiu	28,503,578	-	-	7,706,773 ⁽⁵⁾	36,210,351	33.08%

Notes:

- (1) These shares are held by Madam Ching Lan Ju Chiu, wife of Deacon Te Ken Chiu, J.P..
- (2) These shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.
- (3) These shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
- (4) Of the 11,440,044 shares, 2,200,000 shares are held by Cape York, and the remaining 9,240,044 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.
- (5) Details of the interests of directors and chief executives of the Company in the underlying shares of equity derivatives in respect of options granted to them are stated in the "Directors' interests in share options of the Company" section.

Additional Information Required Under The Listing Rules

DIRECTORS' INTERESTS IN SHARES (Continued)

(ii) Directors' interests in share options of the Company

As at 30th June, 2007, the interests of the Directors or chief executive of the Company, and their respective associates, in the underlying shares of the Company which may be issued pursuant to exercise of the share options granted to the Directors pursuant to the Company's share option scheme were as follows:

Name of Grantee	Number of Shares Options Outstanding as at 30/6/2007	Exercise price HK\$	Date of grant	Exercisable period
Deacon Te Ken Chiu, J.P.	2,341,733	1.1530	21/7/2005	21/7/2005- 20/7/2015
Mr. Dennis Chiu	1,170,866	1.1530	21/7/2005	21/7/2005- 20/7/2015
Mr. Duncan Chiu	3,746,773	1.1530	21/7/2005	21/7/2005- 20/7/2015
	1,980,000	1.2182	21/4/2006	23/5/2006- 22/5/2016
	1,980,000	1.2182	21/4/2006	23/5/2007- 22/5/2017
Aggregate for directors	11,219,372			
Aggregate for employees	468,348	1.1530	21/7/2005	21/7/2005- 20/7/2015
	825,000	1.2182	21/4/2006	23/5/2006- 22/5/2016
	825,000	1.2182	21/4/2006	23/5/2007- 22/5/2017
	<u>13,337,720</u>			

Additional Information Required Under The Listing Rules

DIRECTORS' INTERESTS IN SHARES (Continued)

(ii) Directors' interests in share options of the Company (Continued)

Notes:

(1) At the 2006 annual general meeting of the Company held on 23rd May, 2006, a share option scheme (the "Option Scheme") of the Company was adopted by the shareholders of the Company. As at 30th June, 2007, there are options relating to 13,337,720 shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.

(2) No options were granted, exercised, cancelled or lapsed during the period.

Save as disclosed above, at 30th June, 2007, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' Interests in Shares", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of Substantial Shareholder	Number of Ordinary shares held	Percentage of issued share capital of the Company
Gorich Holdings Limited ("Gorich") ⁽¹⁾	9,240,044	8.44%
Max Point Holdings Limited ("Max Point") ⁽²⁾	7,764,240	7.09%
Rocket High Investments Limited ("Rocket High") ⁽³⁾	6,168,800	5.64%
Virtual Dragon International Limited ("Virtual Dragon") ⁽⁴⁾	5,611,760	5.13%

Additional Information Required Under The Listing Rules

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

- (1) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interests of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' Interests in Shares" above.
- (2) The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.
- (3) Rocket High is wholly-owned by Tan Sri Dato' David Chiu. The interests of Tan Sri Dato' David Chiu in the Company is stated under the section headed "Directors' Interests in Shares" above.
- (4) These shares are held by Peace View Company Limited ("Peace View"), a wholly-owned subsidiary of Far East Consortium Limited ("FEC"). On 28th March, 2001, FEC had entered into a Sale of Shares Agreement with Virtual Dragon to dispose of its entire equity interests in Peace View to Virtual Dragon.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 30th June, 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2007, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all non-executive directors of the Company are subject to the retirement by rotation and re-election at each annual general meeting under Articles 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

Additional Information Required Under The Listing Rules

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive director and two independent non-executive directors namely, Mr. Derek Chiu, Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong respectively.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30th June, 2007.

REMUNERATION COMMITTEE

The Company had established a remuneration committee (the "Committee") with written terms of reference pursuant to the provisions set out in the Code. The Committee comprised two independent non-executive directors, namely Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong and the managing director, Mr. Duncan Chiu of the Company. The Committee is principally responsible for formulation and making recommendation to the board on the Group's policy and structure for all remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2007.

On behalf of the Board

DUNCAN CHIU

Managing Director and Chief Executive Officer

Hong Kong, 18th September, 2007

Interim Results

The board of directors (the "Board") of Far East Holdings International Limited (the "Company") herein present their unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2007 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30th June, 2007

		Unaudited six months ended 30th June,	
	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	3	39,248	42,081
Cost of sales		(32,203)	(39,415)
Gross profit		7,045	2,666
Other income		949	672
Distribution costs		(74)	(188)
Administrative expenses		(6,962)	(7,629)
Finance costs		(498)	(277)
Other expenses		–	(176)
Increase in fair value of held-for-trading investments		1,089	322
Gain on disposal of available-for-sale investments		609	–
Gain on investment in convertible notes		3,856	–
Increase in fair value of investment properties		11,151	1,422
Gain on disposal of interest in an associate	10	28,148	–
Net loss on deemed disposal of an associate	10	(8,774)	(3,149)
Share of results of associates	10	2,115	4,978
Profit (loss) before taxation	4	38,654	(1,359)
Taxation	5	(315)	(38)
Profit (loss) for the period		38,339	(1,397)
Attributable to:			
Equity holders of the Company		38,272	(1,348)
Minority interests		67	(49)
		38,339	(1,397)
Dividend	6	–	–
Earnings (loss) per share			
Basic	7	35.0 HK cents	(1.3 HK cents)
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

As at 30th June, 2007

		30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Investment properties	8	80,440	41,040
Property, plant and equipment		11,384	11,735
Prepaid lease payments	9	1,091	1,132
Interests in associates	10	28,905	39,594
Available-for-sale investments		50,572	12,512
Deposits paid for acquisition of property		–	2,700
Investment in convertible notes		–	4,962
		<u>172,392</u>	<u>113,675</u>
CURRENT ASSETS			
Prepaid lease payments	9	82	82
Held-for-trading investments		36,202	38,023
Inventories		6,091	6,444
Trade and other receivables	11	23,434	3,528
Amount due from an associate		640	640
Amount due from a minority shareholder		3,747	4,747
Amounts due from related companies		–	16,143
Tax prepaid		296	104
Pledged bank deposits		34,059	4,210
Deposits held at financial institutions		4,800	3,171
Bank balances and cash		21,704	40,527
		<u>131,055</u>	<u>117,619</u>
CURRENT LIABILITIES			
Trade and other payables	12	9,719	10,159
Amounts due to directors		1,466	1,392
Amount due to a minority shareholder		297	297
Amounts due to related companies		1,557	1,619
Bank and other loans	13	10,765	10,887
Obligations under a finance lease			
– due within one year	14	128	120
		<u>23,932</u>	<u>24,474</u>
NET CURRENT ASSETS		<u>107,123</u>	<u>93,145</u>
		<u>279,515</u>	<u>206,820</u>

Condensed Consolidated Balance Sheet

As at 30th June, 2007

		30/6/2007	31/12/2006
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CAPITAL AND RESERVES			
Share capital	15	1,095	1,095
Reserves		241,989	187,981
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		243,084	189,076
Minority interests		16,850	16,477
		<hr/>	<hr/>
		259,934	205,553
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Bank and other loans	13	18,083	–
Obligations under a finance lease – due after one year	14	184	250
Deferred taxation		1,314	1,017
		<hr/>	<hr/>
		19,581	1,267
		<hr/>	<hr/>
		279,515	206,820
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007 (Unaudited)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Exchange reserve	Investment	Share	Retained profits	Total	Minority interests	Total
				revaluation reserve	option reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007,	1,095	109,643	3,074	125	6,433	68,706	189,076	16,477	205,553
Increase in fair value of available-for-sale investments	-	-	-	12,650	-	-	12,650	-	12,650
Exchange differences arising on translation of overseas operations	-	-	4,987	-	-	-	4,987	306	5,293
Share of post-acquisition reserve movement of an associate during the period	-	-	(2,415)	-	-	-	(2,415)	-	(2,415)
Net income recognised directly in equity	-	-	2,572	12,650	-	-	15,222	306	15,528
Profit for the period	-	-	-	-	-	38,272	38,272	67	38,339
Total recognised income and expense for the period	-	-	2,572	12,650	-	38,272	53,494	373	53,867
Recognition of equity – settled share based payments	-	-	-	-	514	-	514	-	514
At 30th June, 2007	1,095	109,643	5,646	12,775	6,947	106,978	243,084	16,850	259,934

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2006 (Unaudited)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Share option reserve	Retained profits (accumulated losses)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006	995	109,743	1,298	2,184	4,250	52,744	171,214	15,773	186,987
Increase in fair value of available-for-sale investments	-	-	-	656	-	-	656	-	656
Exchange differences arising on translation of overseas operations	-	-	999	-	-	-	999	121	1,120
Share of post-acquisition reserve movement of an associate during the period	-	-	(448)	-	-	-	(448)	-	(448)
Net income recognised directly in equity	-	-	551	656	-	-	1,207	121	1,328
Loss for the period	-	-	-	-	-	(1,348)	(1,348)	(49)	(1,397)
Total recognised income and expense for the period	-	-	551	656	-	(1,348)	(141)	72	(69)
Recognition of equity – settled share based payments	-	-	-	-	1,521	-	1,521	-	1,521
Bonus shares issued during the period	100	(100)	-	-	-	-	-	-	-
At 30th June, 2006	<u>1,095</u>	<u>109,643</u>	<u>1,849</u>	<u>2,840</u>	<u>5,771</u>	<u>51,396</u>	<u>172,594</u>	<u>15,845</u>	<u>188,439</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2007

	Unaudited six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(14,085)	(14,729)
Net Cash used in investing activities	(22,626)	(12,747)
Net cash from financing activities	17,417	1,304
Net decrease in cash and cash equivalents	(19,294)	(26,172)
Cash and cash equivalents at beginning of period	40,527	41,628
Effect of foreign exchange rate changes	471	164
Cash and cash equivalents at end of period represented by bank balances and cash	21,704	15,620

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and 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 should be read in conjunction with the 2006 annual financial statements.

2. Application of new and revised Hong Kong Financial Reporting Standards

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006 except as described below:

In current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”), issued by the HKICPA that is effective for accounting periods beginning on or after 1st January, 2007. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ³
HK(IFRIC) – INT 12	Service Concession Arrangements ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2009.

³ Effective for annual periods beginning on or after 1st March, 2007.

⁴ Effective for annual periods beginning on or after 1st January, 2008.

Notes to the Condensed Consolidated Interim Financial Statements

3. Business and geographical segments

Business segments

	Continuing operations							
	Securities investment and trading		Property development and investment		Industrial		Consolidated	
	Unaudited six months ended 30th June,							
	2007	2006	2007	2006	2007	2006	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER								
External sales	<u>23,570</u>	15,750	<u>764</u>	441	<u>14,914</u>	25,890	<u>39,248</u>	<u>42,081</u>
RESULTS								
Segment results	<u>6,358</u>	(2,690)	<u>10,117</u>	1,921	<u>239</u>	(2,814)	<u>16,714</u>	(3,583)
Other income	845	600	79	3	25	69	949	672
Finance costs							(498)	(277)
Gain on disposal of interest in an associate							28,148	-
Net loss on deemed disposal of an associate							(8,774)	(3,149)
Share of results of associates							2,115	4,978
Profit (loss) before taxation							38,654	(1,359)
Taxation							(315)	(38)
Profit (loss) for the period							<u>38,339</u>	<u>(1,397)</u>

Notes to the Condensed Consolidated Interim Financial Statements

3. Business and geographical segments (Continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Japan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of goods/services:

	Sales revenue by geographical market Unaudited six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong	19,827	18,870
The PRC	331	11,503
Japan	19,090	11,708
	<hr/>	<hr/>
	39,248	42,081
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Statements

4. Profit (loss) before taxation

	Unaudited six months ended 30th June,	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	41	102
Auditor's remuneration	301	348
Cost of inventories recognised as expense	13,797	26,281
Depreciation	1,467	2,006
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$764,500 (2006: HK\$515,243)	5,500	7,214
Exchange (gain) loss, net	(94)	50
Loss on disposal of property, plant and equipment	–	3
Operating lease payment in respect of rented premises	168	156
Share of tax of associates (included in share of results of associates)	972	1,052
Write off of amount due from an associate	–	22
and after crediting:		
Dividend income from available-for-sale investment	71	67
Rental income from investment properties, less outgoings of HK\$16,881 (2006: HK\$29,843)	748	411
	<u>748</u>	<u>411</u>

Notes to the Condensed Consolidated Interim Financial Statements

5. Taxation

Unaudited six months
ended 30th June,

2007

2006

HK\$'000

HK\$'000

The charge comprises:

PRC enterprise income tax:

Current period

(18)

–

(18)

–

Deferred taxation

(297)

(38)

(315)

(38)

PRC enterprise income tax is calculated at a rate of 24%. Where the expert sales of the relevant entity exceeds a certain percentage, that entity will entitle to enjoy a concession tax rate of 12%.

6. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2007 (six months ended 30th June, 2006: Nil).

7. Earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit attributable to equity holders of the Company of HK\$38,272,000 (six months ended 30th June, 2006 : loss of HK\$1,348,000) and on 109,450,595 (six months ended 30th June, 2006 : the weighted average number of 101,259,774) ordinary shares in issue during the period.

No adjustment has been made for the potential ordinary shares of the associate as the effect in both periods are anti-dilutive.

Notes to the Condensed Consolidated Interim Financial Statements

8. Investment properties

	THE GROUP	
	30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000
AT VALUATION		
At beginning of period/year	41,040	36,040
Addition during of period/year	28,249	3,578
Increase in fair value recognised in income	11,151	1,422
	<u>80,440</u>	<u>41,040</u>
At end of period/year	<u>80,440</u>	<u>41,040</u>

All of the Group's and the Company's investment properties including both land and building elements are situated in the Hong Kong and outside Hong Kong held under medium-term leases and are rented out under operating leases.

The investment properties were fair valued at 30th June, 2007 and 31st December, 2006 in existing state on an open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which confirms to Valuation Standards on Properties published by the Hong Kong Institute of Surveyors, was arrived at by considering the capitalised income to be derived from properties or, where appropriate, by reference to market evidence of the transaction prices for similar properties.

The investment properties of the Group and the Company include amounts of HK\$4,640,000 and HK\$4,640,000 at 30th June, 2007 (31st December, 2006: HK\$4,640,000 and HK\$4,640,000) respectively, the title of which has not been transferred to the Group and the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

Notes to the Condensed Consolidated Interim Financial Statements

9. Prepaid lease payments

The prepaid lease payments represent leasehold land outside Hong Kong held under medium term leases and are analysed for the reporting purposes.

	THE GROUP	
	30/6/2007	31/12/2006
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	82	82
Non-current assets	1,091	1,132
	1,173	1,214

10. Interests in associates

	THE GROUP		THE COMPANY	
	30/6/2007	31/12/2006	30/6/2007	31/12/2006
	(unaudited)	(audited)	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed shares, at cost	11,950	13,786	11,950	13,786
Share of post-acquisition profits, net of dividends received	16,955	25,808	-	-
	28,905	39,594	11,950	13,786
Market value of listed shares	252,452	259,724	252,452	259,724

Notes to the Condensed Consolidated Interim Financial Statements

10. Interests in associates (Continued)

Particulars of associates of the Group at 30th June, 2007 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group		Principal activity
		2007	2006	
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ The PRC	16.06%	19.78%	Provision of information technology services

In January 2007, the group disposed of 20,000,000 shares of Chinasoft for a consideration of HK\$34,299,264, resulting in a gain on disposal of HK\$28,148,000. Accordingly, the Group's shareholding in Chinasoft has decreased from 19.78% to 17.15%.

In April 2007, Chinasoft allotted and issued 32,300,000 new shares at an issue price of HK\$1.70 each to ABN AMRO Bank N.V. Accordingly, the Group's shareholding in Chinasoft has decreased from 17.15% to 16.45%, resulting in a loss on deemed disposal of HK\$5,604,000.

In May 2007, Chinasoft allotted and issued 2,677,500 and 11,866,000 new shares at the exercised price of HK\$0.58 and HK\$0.65 each for exercise of share options respectively. Accordingly, the Group's shareholding in Chinasoft has decreased from 16.45% to 16.15%, resulting in a loss on deemed disposal of HK\$2,390,000.

In June 2007, Chinasoft allotted and issued 1,290,000 and 3,550,000 new shares at the exercise price of HK\$0.58 and HK\$0.65 each for exercise of share options respectively. Accordingly, the Group's shareholding in Chinasoft has decreased from 16.15% to 16.06%, resulting in a loss on deemed disposal of HK\$780,000.

The directors of the Group believe that the Group is able to exert significant influence over Chinasoft as the Group has nominated Mr. Duncan Chiu as a director of Chinasoft who also participates in the financial and operating decisions of Chinasoft.

Notes to the Condensed Consolidated Interim Financial Statements

10. Interests in associates (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	30/6/2007 (unaudited) <i>HK\$'000</i>	31/12/2006 (audited) <i>HK\$'000</i>
Total assets	881,268	652,361
Total liabilities	(555,866)	(421,837)
Net assets	325,402	230,524
Group's share of net assets of associates	28,905	39,594
	Unaudited six months ended 30th June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	327,957	130,123
Profit for the period	14,880	28,454
Group's share of results of associates for the period	2,115	4,978

Notes to the Condensed Consolidated Interim Financial Statements

11. Trade and other receivables

For sales of goods, the Group has a policy of allowing a credit period of 30 days to 90 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000
31 – 60 days	834	894
61 – 90 days	313	–
Over 90 days	47	242
	<hr/>	<hr/>
Total trade receivables	1,194	1,136
Other receivables	22,240	2,392
	<hr/>	<hr/>
	23,434	3,528
	<hr/> <hr/>	<hr/> <hr/>

12. Trade and other payables

The aged analysis of trade payables is as follows:

	THE GROUP	
	30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000
31 – 60 days	449	520
Over 90 days	74	3
	<hr/>	<hr/>
Total trade payables	523	523
Other payables	9,196	9,636
	<hr/>	<hr/>
	9,719	10,159
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Statements

13. Bank and other loans

	THE GROUP	
	30/6/2007	31/12/2006
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Bank and other loans comprise:		
Bank loans, secured	22,844	–
Other loans, secured	6,004	10,887
	28,848	10,887
	28,848	10,887
The above loans are repayable as follows:		
Within one year	10,765	10,887
More than one year, but not exceeding two years	612	–
More than two years, but not exceeding five years	2,024	–
More than five years	15,447	–
	28,848	10,887
Less: Amounts due within one year shown under current liabilities	(10,765)	(10,887)
	18,083	–
Amounts due after one year	18,083	–

At 30th June, 2007, the bank loans that are denominated in Hong Kong Dollars and USD bear interest rates at 3.1% per annum below Hong Kong Prime Lending Rate of 8% (31st December, 2006: Nil) and 5.8125% (31st December, 2006: Nil) per annum, respectively.

At 30th June, 2007, the other loans that are denominated in USD and YEN bear interest rates at 5.525% (31st December, 2006: 5.605%) per annum and 0.905% (31st December, 2006: 0.815%) per annum, respectively.

Notes to the Condensed Consolidated Interim Financial Statements

13. Bank and other loans (Continued)

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD Loan '000	YEN Loan '000
At 30th June, 2007	HK\$9,167	HK\$1,018
At 31st December, 2006	<u>HK\$8,403</u>	<u>HK\$2,484</u>

14. Obligations under a finance lease

Minimum lease payments		Present value of minimum lease payments	
30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000	30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000

THE GROUP AND THE COMPANY

Amounts payable under
finance lease:

Within one year	160	160	128	120
In the second to fifth year inclusive	200	280	184	250
	<u>360</u>	<u>440</u>	<u>312</u>	<u>370</u>
Less: Future finance charges	(48)	(70)	-	-
Present value of lease obligations	<u>312</u>	<u>370</u>	312	370
Less: Amount due within one year shown under current liabilities			<u>(128)</u>	<u>(120)</u>
Amount due after one year			<u>184</u>	<u>250</u>

The obligations under a finance lease are secured by the Company's motor vehicle. The term of the lease is four years. Interest rates are fixed at 7% per annum. No arrangements have been entered into for contingent rental payments.

Notes to the Condensed Consolidated Interim Financial Statements

15. Share capital

	Number of Shares		Share Capital	
	30/6/2007 (in thousand)	31/12/2006 (in thousand)	30/6/2007 HK\$'000	31/12/2006 HK\$'000
Authorised:	<u>70,000,000</u>	<u>70,000,000</u>	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:				
At beginning of period/year	109,451	99,501	1,095	995
Issue of bonus shares	–	9,950	–	100
At end of period/year	<u>109,451</u>	<u>109,451</u>	<u>1,095</u>	<u>1,095</u>

Pursuant to an ordinary resolution passed at annual general meeting on 23rd May, 2006, 9,949,924 ordinary shares were issued and allotted on 30th May, 2006 as fully paid up by way of one for ten bonus issue ("Bonus Issue") in respect of which an amount of HK\$99,499 was applied to the credit of the share premium account. The new ordinary shares rank pari passu with the existing shares in all respect.

Details of the Company's bonus issue of shares is set out in a circular of the Company dated 28th April, 2006.

Notes to the Condensed Consolidated Interim Financial Statements

16. Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20th July, 2015. At 30th June, 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 13,337,720 (31st December, 2006: 13,337,720) of the shares of the Company in issue at that date.

Details of the share options outstanding at 30th June, 2007 are as follows:

Capacity of grantee	Grant date	Exercise price HK\$	Exercisable period (both days inclusive)	Number of Share Options				
				Balance at 1.1.2007	Grant during the period	Exercised during the period	Forfeited or expired during the period	Balance at 30.6.2007
Directors	21/7/2005	1.1530	21st July 2005 to 20th July 2015	7,259,372	-	-	-	7,259,372
	21/4/2006	1.2182	23rd May 2006 to 22nd May 2016	1,980,000	-	-	-	1,980,000
	21/4/2006	1.2182	23rd May 2007 to 22nd May 2017	1,980,000	-	-	-	1,980,000
Employees	21/7/2005	1.1530	21st July 2005 to 20th July 2015	468,348	-	-	-	468,348
	21/4/2006	1.2182	23rd May 2006 to 22nd May 2016	825,000	-	-	-	825,000
	21/4/2006	1.2182	23rd May 2007 to 22nd May 2017	825,000	-	-	-	825,000
				<u>13,337,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,337,720</u>

No share options were granted, exercised, forfeited or expired during the period.

The Group recognised the total expense of HK\$514,266 during the period (31st December, 2006: HK\$2,182,869) in relation to equity-settled share-based payment transactions.

Notes to the Condensed Consolidated Interim Financial Statements

17. Pledge of assets

At the reporting date:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$11.9 million (31st December, 2006: HK\$15.8 million), of which HK\$3.1 million (31st December, 2006: HK\$7.9 million) had been utilised after considering deposits held by financial institutions, were secured by the listed investments of the Group and the Company of approximately HK\$23.8 million (31st December, 2006: HK\$31.6 million) and HK\$23.8 million (31st December, 2006: HK\$30.7 million), respectively; and
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$17.2 million (31st December, 2006: HK\$17.1 million), of which 4.2 million (31st December, 2006: Nil) had been utilised, were secured by time deposits held by the Company of approximately HK\$34.1 million (31st December, 2006: HK\$4.2 million) and by a floating charge over certain properties of the Company of approximately HK\$6.4 million (31st December, 2006: HK\$5.5 million); and
- (c) bank loan facilities to the extent of approximately HK\$18.9 million (31st December, 2006: Nil), of which 18.7 million (31st December, 2006: Nil) had been utilised, were secured by the Group's investment property in Hong Kong with an aggregate net book value of approximately HK\$31 million (31st December, 2006: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

18. Operating lease arrangements

The Group as lessor

Property rental income earned during the period was HK\$765,000 (six months ended 30th June, 2006: HK\$441,000). The properties held have committed tenants for the next two years.

At the reporting date, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000
Within one year	876	1,532
In the second to fifth year inclusive	1,299	3,271
	<u>2,175</u>	<u>4,803</u>

The Group and the Company as lessee

At the reporting date, the Group and the Company had commitments for the future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30/6/2007 (unaudited) HK\$'000	31/12/2006 (audited) HK\$'000
Within one year	331	161
In the second to fifth year inclusive	147	79
	<u>478</u>	<u>240</u>

Operating lease payments represent rentals payable by the Group to a company controlled by certain directors of the Company for the use of its office premises. Leases are negotiation for a term of two years.

Notes to the Condensed Consolidated Interim Financial Statements

19. Capital commitment

The Group had no capital commitment, as at 30th June, 2007 (31st December, 2006: HK\$45 million).

20. Post balance sheet events

The Group had the following significant subsequent events:

On 15th August, 2007 Chinasoft allotted and issued 170,868,617 consideration shares to Hinge Global Resource Inc. ("HGR") at a price of HK\$1.44 per consideration share. Upon the completion of the allotment and issue of shares to HGR, the equity interest in this associate held by the Group is further reduced from 16.06% to approximately 13.27% of the issued share capital of Chinasoft. The directors of the Group expected that the Group would be no longer to exert significant influence over Chinasoft as HGR had appointed many directors in the Chinasoft's board of directors and the Group's equity interest in Chinasoft was greatly diluted by Chinasoft's allotment and issue of consideration shares to HGR.

On 31st August, 2007, Peterfame Company Limited, a wholly-owned subsidiary of the Company disposed a property at Lower Ground Floor to 3rd Floor, Kwai Chung Fa Yuen, Nos. 50-56 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong to Star Way Properties Limited at a consideration of HK\$27.6 million.

On 18th September 2007, Jubilee Star Limited ("Jubilee Star"), a subsidiary of the Group, and China Aviation Supplies Import and Export Group Corporation ("China Aviation") entered into the new joint venture agreement for transformation of Beijing Kailan Aviation Technology Co. Ltd. ("Beijing Kailan") into an equity joint venture through capital injection of approximately RMB38 million into Beijing Kailan by Jubilee Star, of which RMB30.71 million shall be used for the increase in the registered capital and RMB7.29 million as capital reserve.