GRANDE

THE GRANDE HOLDINGS LIMITED

嘉城集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

INTERIM REPORT

2009

FINANCIAL HIGHLIGHTS

	(Unaudited) Six months ended	
	30 June 2009	30 June 2008
OPERATING RESULTS:		
Revenue *(HK$ million)*	**1,026**	1,353
(Loss)/profit attributable to shareholders *(HK$ million)*	**(26)**	81
PER SHARE DATA:		
Basic (loss)/earnings per share *(HK cents)*	**(6)**	18
Diluted earnings per share *(HK cents)*	**N/A**	17
Interim dividend per share *(HK cents)*	–	5

INTERIM RESULTS

The Board of directors of The Grande Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009, together with the comparative figures for the corresponding period and selected explanatory notes are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Six months ended	
		30 June 2009	30 June 2008
	Notes	***HK$ million***	*HK$ million*
REVENUE	4	**1,026**	1,353
Cost of sales		**(904)**	(1,111)
Gross profit		**122**	242
Other income		**111**	141
Gain on disposal of subsidiaries		**3**	27
Reversal of losses on disposal of subsidiaries		**–**	119
Distribution costs		**(23)**	(51)
Administrative expenses		**(151)**	(238)
Other expenses		**(66)**	(164)
Finance costs		**(37)**	(22)
(LOSS)/PROFIT BEFORE TAX		**(41)**	54
Tax	5	**5**	(1)
(LOSS)/PROFIT FOR THE PERIOD	6	**(36)**	53
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Exchange differences on translating foreign operations		**6**	14
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(30)**	67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		(Unaudited) Six months ended	
		30 June 2009	30 June 2008
	Notes	***HK$ million***	*HK$ million*
(LOSS)/PROFIT ATTRIBUTABLE TO:			
Shareholders of the Company		**(26)**	81
Minority interest		**(10)**	(28)
		(36)	53
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		**(18)**	116
Minority interest		**(12)**	(49)
		(30)	67
		HK cents	*HK cents*
(LOSS)/EARNINGS PER SHARE	8		
Basic		**(6)**	18
Diluted		**N/A**	17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) As at 30 June 2009 HK$ million	(Audited) As at 31 December 2008 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	9	**280**	321
Investment properties		**42**	42
Interest in associates	10	**–**	–
Available-for-sale investments	11	**48**	56
Deferred tax assets		**53**	49
Brands and trademarks	12	**1,774**	1,774
Other assets		**20**	11
Goodwill	13	**585**	585
		2,802	2,838
CURRENT ASSETS			
Inventories	14	**248**	314
Accounts, bills and other receivables	15	**286**	176
Amounts due from associates		**–**	2
Prepayments, deposits and other assets	16	**455**	452
Tax recoverable		**4**	7
Deferred tax assets		**40**	36
Short-term investments	17	**103**	96
Derivative financial instruments	18	**–**	1
Pledged deposits with banks		**36**	10
Cash and bank balances		**194**	132
		1,366	1,226
CURRENT LIABILITIES			
Accounts and bills payable	19	**220**	145
Amounts due to associates		**–**	3
Accrued liabilities and other payables	20	**554**	255
Tax liabilities		**6**	7
Trust receipt loans		**77**	78
Current portion of secured bank loans	26	**249**	303
Current portion of unsecured bank loans		**19**	31
Obligations under finance leases	26	**19**	19
Derivative financial instruments	18	**114**	188
Exchangeable bonds issued by a subsidiary	21, 26	**77**	171
		1,335	1,200
NET CURRENT ASSETS		**31**	26
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,833**	2,864

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	Notes	(Unaudited) As at 30 June 2009 HK$ million	(Audited) As at 31 December 2008 HK$ million
NON-CURRENT LIABILITIES			
Non-current portion of secured bank loans	26	**21**	54
Obligations under finance leases	26	**2**	12
Debenture	22	**134**	214
Derivative financial instruments	18	**68**	78
Provision for retirement and long service		**–**	2
Accrued liabilities and other payables	20	**510**	376
		735	736
NET ASSETS		**2,098**	2,128
CAPITAL AND RESERVES			
Share capital	23	**46**	46
Share premium		**1,173**	1,173
Reserves		**120**	138
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**1,339**	1,357
MINORITY INTEREST		**759**	771
TOTAL EQUITY		**2,098**	2,128

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$ million*	Share premium *HK$ million*	Contributed reserve *HK$ million*	Capital reserve *HK$ million*	Exchange fluctuation reserve *HK$ million*	Retained earnings/ (deficits) *HK$ million*	Equity attributable to the Company's Shareholders *HK$ million*	Minority interest *HK$ million*	Total equity *HK$ million*
At 1 January 2008	46	1,173	961	34	(49)	223	2,388	859	3,247
Derecognisation of revalued properties arising from disposal	–	–	–	(11)	–	11	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	1	1
Disposal of subsidiaries	–	–	–	–	(8)	–	(8)	–	(8)
Dividends	–	–	(768)	–	–	–	(768)	–	(768)
Loss for the year	–	–	–	–	–	(240)	(240)	(61)	(301)
Other comprehensive loss for the year:									
Exchange loss on translating foreign operations	–	–	–	–	(15)	–	(15)	(28)	(43)
At 31 December 2008 and 1 January 2009	46	1,173	193	23	(72)	(6)	1,357	771	2,128
Loss for the period	–	–	–	–	–	(26)	(26)	(10)	(36)
Other comprehensive income/(loss) for the period:									
Exchange differences on translating foreign operations	–	–	–	–	8	–	8	(2)	6
At 30 June 2009	46	1,173	193	23#	(64)	(32)	1,339	759	2,098

\# The balance of capital reserve represents property revaluation reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended	
	30 June 2009	30 June 2008
	HK$ million	*HK$ million*
Net cash generated from operating activities	**464**	89
Net cash (used in)/generated from investing activities	**(42)**	59
Net cash used in financing activities	**(360)**	(333)
Net increase/(decrease) in cash and cash equivalents	**62**	(185)
Cash and cash equivalents at 1 January	**132**	161
Effect of foreign exchange rate changes, net	**–**	3
Cash and cash equivalents at 30 June	**194**	(21)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**194**	636
Unsecured bank overdrafts	**–**	(657)
	194	(21)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2009

1. BASIS OF PREPARATION

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

This interim consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in preparing the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2009:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Financial instruments: Improving disclosures about financial instruments
HKFRS 8	Operating segments
HKFRSs (Amendments)	Improvements to HKFRSs (2008)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 15	Agreements for the construction of real estate
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation

2. ACCOUNTING POLICIES (continued)

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, except the presentation of the accounts as required under HKAS 1 (Revised) "Presentation of financial statements":

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. The revised standard prohibits the presentation of income and expenses directly in the statement of changes in equity. All income and expenses are required to be shown in either one statement of comprehensive income or two statements (the income statement and the statement of comprehensive income). The Group has elected to present all income and expenses in one statement of comprehensive income. However, the revised standard has had no impact on the reported results or financial position of the Group.

The Group has not early applied the following new or revised Hong Kong Financial Reporting Standards, amendments and interpretations that have been issued but are not yet effective for the financial year beginning on 1 January 2009, and is in the process of assessing their impact on future accounting periods:

HKAS 27 (Revised)	(i)	Consolidated and separate financial statements
HKAS 39 (Amendment)	(i)	Eligible hedged items
HKFRS 1 (Revised)	(i)	First-time adoption of Hong Kong financial reporting standards
HKFRS 2 (Revised)	(ii)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	(i)	Business combinations
HKFRS 5 (Amendment)	(i)	Non-current assets held for sale and discontinued operations
HKFRSs (Amendments)	(iii)	Improvements to HKFRSs (2009)
HK(IFRIC) – Int 17	(i)	Distributions of non-cash assets to owners
HK(IFRIC) – Int 18	(iv)	Transfers of assets from customers

(i) Effective for annual periods beginning on or after 1 July 2009.
(ii) Effective for annual periods beginning on or after 1 January 2010.
(iii) Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
(iv) Effective for transfers of assets from customers received on or after 1 July 2009.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009 as explained in note 2 to the condensed interim financial statements. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, HKAS 14 "Segment reporting", the predecessor standard, required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segment determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior years' presentation of business segments under HKAS 14 as below:

Operating segments	**Principal activities**
Branded distribution	Trading of audio & video products, licensing business and investments trading
Electronics manufacturing services	Manufacture and trading of electronic products

3. SEGMENT INFORMATION (continued)

(a) Unaudited revenue and results of the Group by operating segments:

For the six months ended 30 June 2009:

	Branded distribution *HK$ million*	Electronics manufacturing services *HK$ million*	Inter-segment elimination *HK$ million*	Unallocated *HK$ million*	Consolidated *HK$ million*
Revenue from external customers	828	198	–		1,026
Inter-segment sales	–	28	(28)		–
Total	828	226	(28)		1,026
Segment results	34	25			59
Unallocated corporate expenses				(17)	(17)
				(17)	42
Gain on disposal of property, plant and equipment	–	1		–	1
Gain on disposal of subsidiaries				3	3
Change in fair value of available-for-sale investments				(2)	(2)
Change in fair value of exchangeable bonds				2	2
Loss on financial derivatives				(54)	(54)
Interest income				4	4
Interest expenses				(37)	(37)
Tax credit				5	5
Loss for the period				(96)	(36)

3. SEGMENT INFORMATION (continued)

(a) **Unaudited revenue and results of the Group by operating segments:** (continued)

For the six months ended 30 June 2008:

	Branded distribution *HK$ million*	Electronics manufacturing services *HK$ million*	Inter-segment elimination *HK$ million*	Unallocated *HK$ million*	Consolidated *HK$ million*
Revenue from external customers	844	509	–		1,353
Inter-segment sales	–	131	(131)		–
Total	844	640	(131)		1,353
Segment results	4	41			45
Unallocated corporate expenses				(19)	(19)
				(19)	26
Gain on disposal of property, plant and equipment	40	7		–	47
Gain on disposal of subsidiaries				27	27
Change in fair value of exchangeable bonds and convertible debenture				(42)	(42)
Loss on financial derivatives				(113)	(113)
Reversal of losses on disposal of subsidiaries				119	119
Interest income				12	12
Interest expenses				(22)	(22)
Tax charge				(1)	(1)
(Loss)/profit for the period				(39)	53

3. SEGMENT INFORMATION (continued)

(b) **Geographical segments:**

	(Unaudited)		**(Unaudited)**	(Audited)
	Six months ended			
	30 June 2009	30 June 2008	**30 June 2009**	31 December 2008
	Revenue		**Carrying amount of segment assets**	
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Asia	**239**	631	**2,238**	2,107
North America	**783**	674	**155**	182
Europe	**4**	48	**1**	1
Unallocated	**–**	–	**1,774**	1,774
	1,026	1,353	**4,168**	4,064

4. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, sub-contracting service income, licensing income and realised gain on trading investments, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activity for the period is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2009	30 June 2008
	HK$ million	*HK$ million*
Branded distribution	**828**	844
Electronics manufacturing services	**198**	509
	1,026	1,353

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 June 2009	30 June 2008
	HK$ million	*HK$ million*
The tax credit/(charge) comprises:		
Current period provision		
Overseas	**5**	(1)
(Under)/over provision in prior period		
Overseas	**(6)**	1
Deferred tax		
Hong Kong	**–**	(1)
Overseas	**6**	–
	5	(1)

6. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	(Unaudited) Six months ended	
	30 June 2009	30 June 2008
	HK$ million	*HK$ million*
Depreciation of property, plant and equipment:		
Owned assets	**26**	25
Leased assets	**7**	12
Operating lease rentals:		
Land and buildings	**15**	11
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	**16**	21
Interest on bank loans wholly repayable beyond five years	**–**	1
Finance leases	**1**	–
Debenture	**4**	–
Interest on amounts due to related companies	**14**	–
Others	**2**	–
Auditors' remuneration	**5**	5
Research and development expenditure	**–**	1
Amortisation of other assets	**1**	–
Staff costs:		
Salaries and other benefits	**64**	118
Retirement benefit costs	**11**	1
Written back of allowance for doubtful debts	**(11)**	(7)
Cost of inventories recognised as expenses	**872**	1,001
Gain on disposal of property, plant and equipment	**(1)**	(47)
Net foreign exchange loss/(gain)	**6**	(4)
Change in fair value of available-for-sale investments	**2**	–
Change in fair value of exchangeable bonds and convertible debenture	**(2)**	42
Loss on financial derivatives	**54**	113
Change in fair value of short-term investments	**(31)**	(14)
Interest income	**(4)**	(12)

7. DIVIDENDS

	(Unaudited) Six months ended	
	30 June 2009	30 June 2008
	HK$ million	*HK$ million*
2007 second interim dividend satisfied by way of a distribution in specie of seven ordinary shares of Lafe Corporation Limited ("Lafe shares") for every five ordinary shares of the Company (the fair value on distribution date of Lafe shares was HK$1.10 each which equates to a dividend of HK$1.54 per share on 460.2 million shares)	–	708
2007 final dividend of HK8 cents per share on 460.2 million shares	–	37
	–	745
The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2009. (2008: An interim dividend of HK5 cents per share on 460.2 million shares was approved by the Board after 30 June 2008 and not recognised as a liability as at 30 June 2008.)	–	23

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	(Unaudited) Six months ended	
	30 June 2009	30 June 2008
	HK$ million	*HK$ million*
(Loss)/earnings:		
(Loss)/profit attributable to shareholders of the Company used in the basic earnings per share calculation	**(26)**	81
Effect of dilutive potential ordinary shares: Interest on Convertible Debenture	**–**	2
(Loss)/earnings for the purposes of diluted earnings per share	**(26)**	83

	30 June 2009 Number of ordinary shares	30 June 2008 Number of ordinary shares
	million	*million*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**460.2**	460.2
Effect of dilutive potential ordinary shares: Convertible Debenture	**–**	28.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**460.2**	488.5

9. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
Net book value at beginning of year	**321**	356
Foreign currency adjustment	**(4)**	24
Additions	**3**	67
Acquisition of subsidiaries	**–**	3
Disposal of subsidiaries	**(2)**	(3)
Disposals	**(5)**	(60)
Depreciation provided during the period/year	**(33)**	(66)
Net book value at the date of the statement of financial position	**280**	321

10. INTEREST IN ASSOCIATES

	(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
Cost of investment less impairment	**–**	3
Share of post-acquisition losses and reserves	**–**	(3)
	–	–
Listed investments, at market value	**–**	2

10. INTEREST IN ASSOCIATES (continued)

Particulars of the Group's principal associate is as follows:

Name	*Note*	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
			30 June 2009	31 December 2008	
Ross Group Plc #	(a)	United Kingdom	–	41%	Design and manufacture of engineering projects, and the sale and distribution of electronic products

Listed on the London Stock Exchange.

Note:

(a) In April 2009, the Group disposed of its entire shareholding interest in Ross Group Plc to independent third parties at a consideration of approximately HK$5 million.

11. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represent unlisted equity shares stated at cost less impairment.

12. BRANDS AND TRADEMARKS

	(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
At beginning of year	**1,774**	1,785
Foreign currency adjustment	**–**	(11)
At the date of the statement of financial position	**1,774**	1,774

Included in the above balance is an amount of HK$463 million (2008: HK$463 million) representing certain trademarks pledged to the banks for facilities available to the Group.

13. GOODWILL

	(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
At beginning of year	**585**	660
Addition	**–**	80
Impairment	**–**	(125)
Complete or partial disposals of subsidiaries	**–**	(30)
At the date of the statement of financial position	**585**	585

14. INVENTORIES

	(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
Raw materials	**82**	65
Work in progress	**16**	1
Finished goods	**248**	339
Less: Impairment provision for obsolete inventories	**(98)**	(91)
	248	314

15. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	(Unaudited) **30 June 2009** ***HK$ million***	(Audited) 31 December 2008 *HK$ million*
0 – 3 months	**246**	161
3 – 6 months	**26**	2
Over 6 months	**14**	13
	286	176

16. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	(Unaudited) **30 June 2009** ***HK$ million***	(Audited) 31 December 2008 *HK$ million*
Prepayments	7	12
Deposits	**2**	4
VAT receivables	**24**	24
Other receivables	**412**	411
Other assets	**10**	1
	455	452

Included in the other receivables is an amount of HK$374 million (2008: HK$370 million) due from certain former associates of the Group, which is non-interest bearing and repayable on demand.

17. SHORT-TERM INVESTMENTS

	(Unaudited) **30 June 2009** ***HK$ million***	(Audited) 31 December 2008 *HK$ million*
Listed investments in Hong Kong, at market value	**94**	62
Unlisted investments, at fair value	**9**	34
	103	96

18. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited) 30 June 2009		(Audited) 31 December 2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ million	***HK$ million***	*HK$ million*	*HK$ million*
Held for trading:				
Derivatives instrument element of exchangeable bonds	–	–	–	(118)
Forward foreign exchange contracts	–	–	1	–
Interest rate swaps	–	**(182)**	–	(148)
	–	**(182)**	1	(266)
Less: Portion classified as current assets/(liabilities)	–	**(114)**	1	(188)
Portion classified as non-current liabilities	–	**(68)**	–	(78)

Interest rate swaps will be matured at various dates up to 22 August 2012 with variable interest rates.

19. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	(Unaudited) 30 June 2009	(Audited) 31 December 2008
	HK$ million	*HK$ million*
0 – 3 months	**163**	113
3 – 6 months	**1**	4
Over 6 months	**56**	28
	220	145

20. ACCRUED LIABILITIES AND OTHER PAYABLES

	(Unaudited)		(Audited)	
	30 June 2009		31 December 2008	
	Current	Non-current	Current	Non-current
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Accrued expenses and provisions	164	12	138	51
Other payables	144	42	46	52
Deposits received	2	4	9	3
Amounts due to related companies	244	452	62	270
	554	510	255	376

Included in the respective current and non-current balances of the amounts due to related companies are amounts of HK$229 million (2008: HK$54 million) and HK$452 million (2008: HK$270 million) which are unsecured and bearing interest at the Hong Kong dollar prime rates. The current balance is repayable on demand while the non-current balances are subject to repayment after one year. The remaining current balance is unsecured, repayable on demand and bearing interest at HSBC's overnight deposit rate.

21. EXCHANGEABLE BONDS ISSUED BY A SUBSIDIARY

On 22 February 2006, Hi-Tech Precision Products Ltd ("Hi-Tech"), a wholly-owned subsidiary of the Group, issued a principal amount of US$50 million (equivalent to HK$388 million) Zero Coupon Guaranteed Exchangeable Bonds ("Exchangeable Bonds") at par value to independent third parties. The Exchangeable Bonds have a maturity date on 8 February 2011 and are redeemable after 23 March 2006. The principal and interest outstanding at the date of the statement of financial position was approximately US$10 million (2008: US$33 million) in total.

22. DEBENTURE

On 10 December 2008, the Company issued a principal amount of US$27.6 million (equivalent to HK$214 million) Debenture ("Debenture") at par value to an independent third party. The Debenture shall be redeemed by the Company on or before the maturity date of 5 December 2010. For the period from the first anniversary of the issue date of the Debenture until the maturity date, interest shall be accrued on the outstanding principal amount under the Debenture at the rate of 12% per annum. The principal outstanding at the date of the statement of financial position was approximately US$17.3 million (2008: US$27.6 million).

23. SHARE CAPITAL

	(Unaudited) **30 June 2009** ***HK$ million***	(Audited) 31 December 2008 *HK$ million*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid:		
460,227,320 ordinary shares of HK$0.10 each	**46**	46

24. CONTINGENT LIABILITIES

The liquidators of Akai Holdings Limited (in compulsory liquidation) and sixteen other plaintiffs (the "plaintiffs") have brought an action against twenty defendants (the "defendants") which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company. The writ was served on the defendants in December 2007 and a Consolidated Points of Claims (which was amended on 23 February 2009) was served on the defendants in April 2008. It alleged that the defendants had, amongst other things, diverted certain assets from the Akai Group and sought various forms of relief from the defendants. The defendants have already filed a substantial defence to the claims. In connection with the plaintiffs' claims, on 19 November 2008, the plaintiffs sought an injunction restraining the Company and certain other defendants from, amongst other things, removing from Hong Kong, disposing of, dealing with or diminishing the value of any of their assets up to the value of US$500 million or its equivalent currency (a "freezing order" application). On 9 February 2009, the Court handed down its judgment. The Court did not make a freezing order against the Company and its subsidiaries. However, it did make orders which include, inter alia, an order requiring the disclosure of the all the assets of the Company and its subsidiaries with an individual value over US$150,000 to the plaintiffs and also an order restraining a director of the Company (the "Director") from using his legal or beneficial shareholder equity in the Company to cause or procure the Company to dispose of its assets other than in the ordinary course of the Company's business, save where the disposal has been approved by a resolution of the Board of the directors (the "Board") as being in the best interest of the Company and the Director has given the plaintiffs at least 14 days' written notice that the Board has approved the intended disposal together with particulars of the transaction. On 28 July 2009, there was an application made by the plaintiffs for an order to appoint receivers against, inter alia, the Company's controlling shareholder, Accolade Inc. The receivership application was granted by the Court on 3 September 2009 and the receivers were appointed on 8 September 2009. The receivers so appointed are granted the powers (excluding the power of sale) to, amongst other things, take control of and exercise all rights which Accolade Inc. may have in the Company or such shares of the Company as are owned by Accolade Inc.

25. OPERATING LEASE COMMITMENTS

	(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
The Group's future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings:		
Not later than one year	**24**	23
Later than one year and not later than five years	**48**	54
Later than five years	**28**	34
	100	111
Others:		
Not later than one year	**3**	8
Later than one year and not later than five years	**–**	4
	3	12

26. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group are secured by assets for which the aggregate carrying values are as follows:

		(Unaudited) 30 June 2009 *HK$ million*	(Audited) 31 December 2008 *HK$ million*
(a)	Legal charges over brands and trademarks, bank balances, account receivables and inventories	**1,004**	547
(b)	Legal charges over available-for-sale investments	**47**	55
(c)	Legal charges over investment properties	**41**	41
(d)	Legal charges over plant and equipments	**38**	37
(e)	Pledge of freehold buildings outside Hong Kong	**68**	73
(f)	Pledge of medium-term buildings outside Hong Kong	**35**	36
(g)	Pledge of marketable securities	**231**	235
(h)	Pledge of bank deposits	**36**	10
		1,500	1,034

27. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

On 25 June 2009, Akai Sales Pte. Ltd., a 88% owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party for the disposal of a property in Singapore at a consideration of SGD19.5 million (equivalent to approximately HK$103.5 million). The transaction is expected to be completed by the end of September 2009.

28. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of directors of the Company on 22 September 2009.

DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2009. (2008: An interim dividend of HK5 cents per share totaling approximately HK$23 million.)

BUSINESS REVIEW AND PROSPECTS

The revenue of the Group for the six months ended 30 June 2009 ("current period") was HK$1,026 million as compared to HK$1,353 million for 2008 ("corresponding period"). The Group recorded an unaudited net loss attributable to shareholders of HK$26 million for the current period, as compared to the net profit attributable to shareholders of HK$81 million for the corresponding period.

The core business segments of the Group comprise the Branded Distribution Division and the Electronics Manufacturing Services Division.

The Branded Distribution Division

The Division manages the distribution and licensing of global brands namely, Akai, Sansui, Emerson and Nakamichi.

The Division's revenue for the current period was HK$828 million as compared to HK$844 million for the corresponding period. The global market conditions for the consumer electronics products continue to be very challenging, especially during the first six months of 2009. However, the Division has managed to increase its overall operating profit to HK$34 million as compared to HK$4 million for the corresponding period. The improvement was mainly attributable to the growth of licence income from the worldwide licensing operations of the Akai and Sansui trademarks.

Emerson is a popular brand in North America focusing on various entry level and moderately priced audio and video products and household appliances. The trade name "Emerson Radio" dates back to 1912 and is one of the oldest and most well respected names in the consumer electronics industry. The continuing domestic economic downturn and decline in consumer spending in the United States have unavoidably affected Emerson's results of operations and financial condition. While the Emerson operation will continue to leverage its core competencies to offer a broader variety of products to customers, it is also entering into licenses for the use of the Emerson trade names and trademarks by third parties in order to maximize the operation's revenue and profitability.

Nakamichi is the Group's premium brand focusing on the top end lifestyle entertainment products including flat panel televisions, audio and video products. The Group will continue to distribute the latest state of the art products through Nakamichi's network of qualified distributors worldwide.

The Electronics Manufacturing Services Division

The Electronics Manufacturing Services Division ("EMS") provides high precision manufacturing services to OEM customers. The manufacturing plant is based in Zhongshan, PRC.

The EMS revenue for the current period was HK$198 million as compared to HK$509 million for the corresponding period. The substantial reduction in revenue was attributable partly to the continuous shift of the business focus from the production of labour intensive finished products to the manufacture of high precision products requiring state-of-the-art Surface Mount Technology machines and associated equipment, and partly to the loss of business with Toshiba following its decision to terminate the manufacture and sales of its HD DVD and related products during 2008. The operating profit for the current period was HK$25 million as compared to HK$41 million for the corresponding period. In view of the shrinkage of the consumer electronics markets in the North America and Europe, the EMS operation will vigorously develop its OEM customer base in the PRC. The Board expects the EMS's financial results will make satisfactory improvement despite the stagnant economic conditions in the major markets outside the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had total assets of HK$4,168 million which were financed by total equity of HK$2,098 million including minority interest of HK$759 million and total liabilities of HK$2,070 million. The Group had a current ratio of approximately 1.02 as compared to that of approximately 1.02 at 31 December 2008.

As at 30 June 2009, the Group had HK$230 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings which were charged by banks at fixed and floating interest rates. As at 30 June 2009, the Group had HK$345 million short-term bank borrowings.

The Group had inventories of approximately HK$248 million as at 30 June 2009 representing a decrease of HK$66 million as compared to that at 31 December 2008.

At the date of the statement of financial position, the Group's gearing ratio was 52% which is calculated based on the Group's net borrowings of HK$1,089 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK$2,098 million.

CHARGES ON GROUP ASSETS

As at 30 June 2009, certain of the Group's assets with a total net book value of approximately HK$1,500 million were pledged to banks to secure banking facilities granted to the Group. Details are set out in note 26 to the condensed interim financial statements.

CONTINGENT LIABILITIES

The liquidators of Akai Holdings Limited have brought an action against twenty defendants which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company. The details of the action and the contingent liabilities of the Group are set out in note 24 to the condensed interim financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars, Renminbi, Japan Yen and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars, Renminbi or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Renminbi against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2009 was approximately 2,000. The Group remunerated its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DISCLOSURE OF INFORMATION REGARDING THE DIRECTORS

On 29 April 2009, Mr. Adrian C. C. Ma and Mr Michael A. B. Binney resigned from the Board of directors of Ross Group Plc, a company listed on the London Stock Exchange.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June 2009, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken 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 Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and HKSE were as follows:

Long positions in shares:

Name of Directors	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho ("Mr. Ho")	Beneficiary of a discretionary trust	321,599,822*	69.87%
Mr. Adrian C. C. Ma	Beneficial owner	78,000	0.02%

* Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary Barrican Investments Corporation, indirectly owns 321,599,822 ordinary shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons (other than the directors or chief executives of the Company) had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(a) Interest in the Company

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	321,599,822*	69.87%
Barrican Investments Corporation	Beneficial owner	321,599,822#	69.87%
Accolade Inc.	Trustee	321,599,822#	69.87%

* Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.

\# Accolade Inc. is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 321,599,822 ordinary shares in the Company.

(b) Interest in a member of the Group

Name of the member of the Group	Shareholding interest of the Group	Other substantial shareholder and his/her shareholding interest
Capetronic Group Ltd	85%	Starcom Pacific Trading Limited, 15%

Save as disclosed above, as at 30 June 2009, none of the directors knew of any person (other than the directors or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the period under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws 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 CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited interim financial statements for the six months ended 30 June 2009.

On behalf of the Board
Christopher W. Ho
Chairman

Hong Kong, 22 September 2009