

PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495 and 642 (Preference Shares)

INTERIM REPORT

2009

For the six months ended 31 December 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road (the “Peak Road Project”), property investment and indent trading.

BUSINESS REVIEW AND PROSPECTS

Property development

The Peak Road Project located at Nos. 8, 10 and 12 Peak Road, Hong Kong consists of 34 apartment units and a 3-storey private house and the gross floor area is approximately 119,000 square feet. 13 apartment units have been sold in previous years. No apartment was sold for the six months ended 31 December 2009.

In the past few years, the management adopted strategy to focus on the completion of the Peak Road Project. Going forward, the management is confident that the returns from the Peak Road Project will significantly improve the Group’s financial position and generate a stable income for the Group.

Property investment

The investment properties have generated rental income of approximately HK\$5.4 million for the six months ended 31 December 2009.

Indent trading

The management of the Company is currently focusing the resources of the Group on the development and marketing of the Peak Road Project. As a result, the Group did not generated any income in this sector for the six months ended 31 December 2009.

Research and development

Sensors Integration Technology Limited, a wholly-owned subsidiary of the Group has planned to conduct research and development of digital camera, camcorder, surveillance, video capturing and processing technology. The plan is on early stage and did not generate any revenue to Group at this moment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2009, net current assets of the Group were approximately HK\$497 million. The current ratio was 2.22. The pledged bank deposits were approximately HK\$21 million.

As at 31 December 2009, the Group has outstanding borrowings of approximately HK\$1,169 million comprising (i) bank overdraft and secured bank loans of approximately HK\$1,019 million, (ii) amount due to a director of subsidiaries of approximately HK\$153,000 and (iii) other payables and accrued charges of approximately HK\$150 million. The bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Group's bank loans were secured by investment properties, properties held for sale, leasehold properties and bank deposits of approximately HK\$1,113 million.

The directors consider that it is not meaningful to publish a gearing ratio of the Group until such time as the Group is in a positive shareholders equity position.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2009, the Group had no material acquisitions and disposals of subsidiaries.

As at 31 December 2009, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed a total of 140 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 31 December 2009, there were contingent liabilities in respect of certain legal proceedings against certain subsidiaries of the Company. The aggregate amount of claim was approximately HK\$47 million. In the opinion of the directors, the liabilities were remote and only a provision of approximately HK\$8.5 million has been made in the consolidated financial statements.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 31 December 2009.

DIRECTOR REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2009, the interests and short positions of the directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the “Model Code”) were as follows:

Ordinary shares of HK\$0.01 each of the Company (long position):

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chen Te Kuang Mike	Beneficial owner	5,000,000	0.94%
	Held by a controlled corporation (<i>Note</i>)	21,035,000	3.94%
		<hr/> 26,035,000	<hr/> 4.88%
Oung Shih Hua, James	Beneficial owner	5,000,000	0.94%

Convertible redeemable preference shares of HK\$0.01 each of the Company (long position):

Name of director	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares held
Chen Te Kuang Mike	Beneficial owner	2,500,000	0.97%
	Held by a controlled corporation (<i>Note</i>)	9,099,014	3.52%
		<hr/> 11,599,014	<hr/> 4.49%
Oung Shih Hua, James	Beneficial owner	2,500,000	0.97%

Note: These shares are held by Goldenfield Equities Limited, a company in which Mr. Chen Te Kuang Mike has beneficial interest.

DIRECTOR REPORT (Cont'd)

Save as disclosed above, as at 31 December 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the persons (other than the directors of the Company) who had interests and short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Five Star Investments Limited	Beneficial owner	267,815,017	50.14%

Name of shareholder	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares held
Five Star Investments Limited	Beneficial owner	133,907,508	51.85%
Oung Da Ming	Beneficial owner	50,000,000	19.36%

Note: Five Star Investments Limited is owned as to 67% by Oung Chin Liang Fung, grandmother of Oung Shih Hua, James, and 33% by Lilian Oung, mother of Chen Te Kuang Mike.

Other than as disclosed above, as at 31 December 2009, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE

In accordance with the disclosure requirements of Rules 13.18 and 13.21 of The Rules Governing The Listing of Securities on the Stock Exchange (the “Listing Rules”), the following disclosure is included in respect of the Group’s loan agreement, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to the loan agreement entered into between the Group and a bank in June 2006 relating to a 300-month loan facility up to HK\$550 million, a default event would arise if Five Star ceases to be the beneficial owner of at least 50.5% (in aggregate) of the issued share capital of the Company and the issued convertible redeemable preference shares of the Company.

AUDIT COMMITTEE

The interim financial report of the Group for the six months ended 31 December 2009 has not been audited by the Group’s auditors, but has been reviewed by the audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period, the Company had complied with the relevant provisions set out in the Code of Corporate Governance Practices (the “CGP Code”) based on the principles set out in Appendix 14 to the Listing Rules, save for the following:

Under the Code provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election and under the Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Currently, the non-executive director and three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company. In addition, under the provisions of the bye-laws of the Company, the Chairman of the Board and/or the Managing Director of the Company are not subject to retirement by rotation or be taken into account in determining the number of directors to retire each year. Finally, new directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments and the directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years.

The Company will review the current bye-laws as and when it becomes appropriate in future.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding directors’ securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model code for the period.

By order of the Board

Law Fong

CHAIRMAN

Hong Kong, 25 March 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

		Six months ended	
		31 December	
		2009	2008
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited and restated)</i>
Turnover		–	77,501
Cost of sales		–	(37,151)
		<hr/>	<hr/>
Gross profit		–	40,350
Other income		6,043	8,410
Administrative expenses		(25,651)	(24,342)
Research and development expenses		(6,307)	(5,930)
Gain on disposal of property, plant and equipment		–	100,420
(Loss) gain arising from change in fair value of derivative financial instruments	16	(8,100)	25,782
Gain (loss) arising on change in fair value of investment properties	10	13,000	(64,600)
Finance costs	5	(13,240)	(21,990)
		<hr/>	<hr/>
(Loss) profit before taxation		(34,255)	58,100
Taxation (charge) credit	6	(2,145)	10,659
		<hr/>	<hr/>
(Loss) profit for the period attributable to equity holders of the Company	7	(36,400)	68,759
Other comprehensive income (expenses)			
Exchange difference arising on translation of foreign operations		128	(2,116)
Fair value loss on available-for-sale investments		(70)	(3,000)
		<hr/>	<hr/>
Other comprehensive income (expenses) for the period		58	(5,116)
		<hr/>	<hr/>
Total comprehensive (expenses) income for the period		(36,342)	63,643
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earning per share	8		
Basic		(6.82)HK cents	12.91 HK cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For 31 December 2009

	<i>NOTES</i>	31.12.2009 HK\$'000 (Unaudited)	30.6.2009 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	181,000	168,000
Property, plant and equipment	11	86,650	87,760
Available-for-sale investments		9,430	9,500
Deposits for acquisition of property, plant and equipment		921	1,510
Pledged bank deposits		21,225	21,178
		<hr/> 299,226 <hr/>	<hr/> 287,948 <hr/>
Current assets			
Properties held for sale	12	846,161	846,161
Trade and other receivables, deposits and prepayments	13	35,004	38,060
Bank balances and cash		23,754	49,947
		<hr/> 904,919 <hr/>	<hr/> 934,168 <hr/>
Current liabilities			
Other payables and accrued charges		149,816	143,893
Amount due to a director of subsidiaries	14	153	11,300
Bank overdrafts		55,055	21,812
Secured bank borrowings - amount due within one year	15	118,832	118,332
Derivative financial instruments	16	83,700	75,600
		<hr/> 407,556 <hr/>	<hr/> 370,937 <hr/>
Net current assets		<hr/> 497,363 <hr/>	<hr/> 563,231 <hr/>
Total assets less current liabilities		<hr/> 796,589 <hr/>	<hr/> 851,179 <hr/>
Capital and reserves			
Share capital	17	5,342	5,337
Reserves		(89,933)	(53,637)
		<hr/> (84,591) <hr/>	<hr/> (48,300) <hr/>
Non-current liabilities			
Secured bank borrowings – amount due after one year	15	844,708	866,751
Convertible redeemable preference shares	18	25,292	23,693
Deferred tax liabilities		11,180	9,035
		<hr/> 881,180 <hr/>	<hr/> 899,479 <hr/>
		<hr/> 796,589 <hr/>	<hr/> 851,179 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 July 2008 (audited)	5,327	1,049	24,947	21,766	(3,088)	3,000	(129,272)	(76,271)
Profit for the year	-	-	-	-	-	-	30,349	30,349
Effect of other comprehensive expenses	-	-	-	-	(1,472)	(1,000)	-	(2,472)
Issue of shares on conversion of convertible redeemable preference shares	10	231	(147)	-	-	-	-	94
At 30 June 2009 and 1 July 2009 (audited)	5,337	1,280	24,800	21,766	(4,560)	2,000	(98,923)	(48,300)
Loss for the period	-	-	-	-	-	-	(36,400)	(36,400)
Effect of other comprehensive income (expenses)	-	-	-	-	128	(70)	-	58
Issue of shares on conversion of convertible redeemable preference shares	5	125	(79)	-	-	-	-	51
At 31 December 2009 (unaudited)	<u>5,342</u>	<u>1,405</u>	<u>24,721</u>	<u>21,766</u>	<u>(4,432)</u>	<u>1,930</u>	<u>(135,323)</u>	<u>(84,591)</u>
At 1 July 2008 (audited)	5,327	1,049	24,947	21,766	(3,088)	3,000	(129,272)	(76,271)
Profit for the period	-	-	-	-	-	-	68,759	68,759
Effective other comprehensive expenses	-	-	-	-	(2,116)	(3,000)	-	(5,116)
At 31 December 2008 (unaudited)	<u>5,327</u>	<u>1,049</u>	<u>24,947</u>	<u>21,766</u>	<u>(5,204)</u>	<u>-</u>	<u>(60,513)</u>	<u>(12,628)</u>

Notes:

- (a) The capital reserve represents the equity component of convertible redeemable preference shares issued during both years.
- (b) The other reserve represents the amount transferred from liability component of convertible redeemable preference shares upon the alteration of the terms of the existing convertible redeemable preferences shares during the year ended 30 June 2008.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2009

	Six months ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash (used in) from operating activities	(15,426)	98,673
Investing activities		
Proceeds from disposal of property, plant and equipment	–	176,376
(Increase) decrease in pledged bank deposits	(47)	3,713
Other investing activities	211	(2,508)
Net cash from investing activities	164	177,581
Financing activities		
Bank borrowings raised	–	100,435
Repayment of bank borrowings	(21,543)	(226,950)
Repayment of other loans	–	(65,563)
Repayment of amount due to a director of subsidiaries	(11,147)	(59,839)
Interest paid	(11,590)	(20,539)
Net cash used in financing activities	(44,280)	(272,456)
Net (decrease) increase in cash and cash equivalents	(59,542)	3,798
Cash and cash equivalents at beginning of the period	28,135	8,313
Effect of foreign exchange rate changes	106	(2,111)
Cash and cash equivalents at end of the period	(31,301)	10,000
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	23,754	64,659
Bank overdrafts	(55,055)	(54,659)
	(31,301)	10,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 July 2009.

The adoption of these new or revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKAS 24 (Revised)	Related party disclosures ⁵
HKAS 32 (Amendment)	Classification of rights issues ³
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ⁴
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ²
HKFRS 9	Financial instruments ⁶
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁵
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ⁴

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

- ¹ Amendments that are effective for annual periods beginning on or after 1 January 2010
- ² Effective for annual periods beginning on or after 1 January 2010
- ³ Effective for annual periods beginning on or after 1 February 2010
- ⁴ Effective for annual periods beginning on or after 1 July 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2011
- ⁶ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measure at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendment require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 has no affect on the classification and measurement of the Group's leasehold land.

The directors of the Company (the "Directors") anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. CHANGE IN PRESENTATION

The Group's rental income is generated by properties held for sale for the period ended 31 December 2009 and accordingly have been presented as other income in the consolidated income statement for the period ended 31 December 2009. Such rental income approximately HK\$4,198,000 for six months ended 31 December 2008 was restated accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. 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, the predecessor Standard (HKAS 14, Segment Reporting) 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 a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 31 December 2009

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	—	—	—
	<u> </u>	<u> </u>	<u> </u>
RESULT			
Segment result	(3,585)	12,901	9,316
Loss arising from change in fair value of derivative financial instruments			(8,100)
Unallocated corporate income			303
Unallocated corporate expenses			(22,534)
Finance costs			(13,240)
			<u> </u>
Loss before taxation			(34,255)
Taxation charge			(2,145)
			<u> </u>
Loss for the period			(36,400)
			<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

4. SEGMENT INFORMATION (Cont'd)

Six months ended 31 December 2008 (Restated)

	Property development	Property investment	General and indent trading	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER				
External sales	77,462	–	39	77,501
	<u>77,462</u>	<u>–</u>	<u>39</u>	<u>77,501</u>
RESULT				
Segment result	32,856	(64,797)	(753)	(32,694)
Gain on disposal of property, plant and equipment				100,420
Gain arising from change in fair value of derivative financial instruments				25,782
Unallocated corporate income				313
Unallocated corporate expenses				(13,731)
Finance costs				(21,990)
				<u>58,100</u>
Profit before taxation				58,100
Taxation credit				10,659
				<u>68,759</u>
Profit for the period				<u>68,759</u>

More than 90% of the Group's turnover for the six months ended 31 December 2009 and 2008 was attributable to the operations carried out in Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

5. FINANCE COSTS

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank borrowings:		
– wholly repayable within five years	2,301	4,650
– not wholly repayable within five years	7,893	15,294
Interest on convertible redeemable preference shares (note 18)	1,650	1,451
Interest on other loans	1,396	595
	<u>13,240</u>	<u>21,990</u>

6. TAXATION

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong Profits Tax for the period	–	–
Deferred taxation (charge) credit	(2,145)	10,659
	<u>(2,145)</u>	<u>10,659</u>
Tax (charge) credit attributable to the Company and its subsidiaries	<u>(2,145)</u>	<u>10,659</u>

No provision for Hong Kong Profits Tax had been made in the current period condensed consolidated financial statements as the Group had no assessable profit for that period.

No provision for Hong Kong Profits Tax has been made in the prior period condensed consolidated financial statements as the estimated profit for that period is wholly absorbed by the tax losses brought forward.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

6. TAXATION (Cont'd)

In August 2007, January 2009 and February 2010, a subsidiary of the Company received the Assessment Demanding Final Tax (the "Assessments") for the year of assessments of 2006/2007, 2007/2008 and 2008/2009 from Hong Kong Inland Revenue Department ("IRD") respectively. By issuing the Assessments, the IRD disagreed the basis adopted by this subsidiary for computation of Hong Kong Profits Tax liability. In addition, the IRD disagreed the tax losses brought forward of this subsidiary for the year of assessments from 1997/1998 to 1999/2000 and 2004/2005 to 2005/2006 with aggregated amount of approximately HK\$279,990,000.

The Group has lodged objections against the Assessments received from IRD in September 2007, January 2009 and March 2010 respectively. The IRD has agreed to holdover the tax in dispute of approximately HK\$178,432,000 unconditionally and requested the Group to pay tax amounting HK\$1,000,000 in prior year. The IRD has advised that the case is submitted to the commissioner for determination which means the profits assessed could be adjusted upward or downward depending on the exact basis and calculation that are to be adopted in the determination.

In the opinion of the directors of the Company, the Group has grounds to appeal against any such determinations. In additions, the potential tax liabilities, if any, cannot be readily and reliably ascertained at this stage due to insufficient information. As a result, except for the tax amounting HK\$1,000,000 paid for the year, no provision for Hong Kong Profits Tax has been made for both periods.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after (charging) crediting:		
Depreciation	(1,813)	(2,202)
Interest income	303	313
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at 31 December 2009 has been arrived at on the basis of a valuation carried out on that day by Messrs. Savills Valuation and Professional Services Limited, the independent qualified professional property valuers not connected with the Group. Messrs. Savills Valuation and Professional Services Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualification. The valuation, which conforms to The Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

During the six months ended 31 December 2009, the gain arising on change in fair value of the investment properties of approximately HK\$13,000,000 (1.7.2008 to 31.12.2008: the loss arising on change in fair value of the investment properties of approximately HK\$64,600,000) has been recognised in the condensed consolidated statement of comprehensive income.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, depreciation of approximately HK\$1,813,000 (1.7.2008 to 31.12.2008: HK\$2,202,000) were charged in respect of the Group's property, plant and equipment. In addition, the Group spent approximately HK\$92,000 (1.7.2008 to 31.12.2008: HK\$2,821,000) on additions of property, plant and equipment.

12. PROPERTIES HELD FOR SALE

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of properties held for sale	846,161	846,161

At 31 December 2009 and 30 June 2009, the properties held for sale are stated at cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 120 days (30.6.2009: 120 days) to its trade customers. The following is an aged analysis of trade receivables at the statement of financial position date:

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	-	-
61 - 120 days	-	-
Over 121 days	15,735	23,685
	<hr/>	<hr/>
	15,735	23,685
	<hr/> <hr/>	<hr/> <hr/>

The Group's management closely monitors the credit quality of receivables of service rendered in indent trading and considers the receivables that are neither past due nor impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, all of the receivables of service rendered in indent trading as at 31 December 2009 and 30 June 2009 which are past due but not impaired are generally collectable.

14. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

The amount represents due to Lilian Oung, who is one of the shareholders of Five Star Investments Limited ("Five Star"), the controlling shareholder of the Company. The amount is unsecured, non-interest bearing and repayable on demand.

15. SECURED BANK BORROWINGS

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loans	888,540	910,083
Bank loan	75,000	75,000
	<hr/>	<hr/>
	963,540	985,083
Less: Amount due within one year shown under current liabilities	(118,832)	(118,332)
	<hr/>	<hr/>
Amount due after one year	844,708	866,751
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

15. SECURED BANK BORROWINGS (Cont'd)

At the statement of financial position date, the Group's bank borrowings are repayable as follows:

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	118,832	118,332
In more than one year but not more than two years	44,769	44,247
In more than two years but not more than three years	121,544	45,150
In more than three years but not more than four years	39,167	118,420
In more than four years but not more than five years	87,821	89,449
Over five years	551,407	569,485
	<hr/> 963,540 <hr/>	<hr/> 985,083 <hr/>

At 31 December 2009, the mortgage loans comprised (i) a mortgage loan with a principal amount of HK\$550,000,000 that shall be repayable by 300 monthly instalments and carries interest at a rate of 2.35% per annum below the Hong Kong dollars Prime Rate; (ii) a mortgage loan with a principal amount of HK\$30,000,000 that shall be repayable by 300 monthly instalments and carries interest at a rate of 2.65% per annum below the Hong Kong dollars Prime Rate; (iii) a mortgage loan with a principal amount of HK\$32,000,000 that shall be repayable by 300 monthly instalments and carries interest at a rate of 2.5% per annum below the Hong Kong dollars Prime Rate; (iv) a mortgage loan with a principal amount of HK\$70,000,000 that shall be repayable by 300 monthly instalments and carries interest at a rate of 2.6% per annum below the Hong Kong dollars Prime Rate; (v) a mortgage loan with a principal amount of HK\$69,300,000 that shall be repayable by 240 monthly instalments and carries interest at a rate of 1.25% per annum above HIBOR; (vi) a mortgage loan with a principal amount of HK\$61,100,000 that shall be repayable by 240 monthly instalments and carries interest at a rate of 1.25% per annum above HIBOR; and (vii) a mortgage loan with a principal amount of HK\$32,000,000 that shall be repayable by 300 monthly instalments and carries interest at a rate of 2.5% per annum below the Hong Kong dollars Prime Rate; (viii) a mortgage loan with a principal amounting to HK\$110,000,000 that shall be repayable by 60 monthly instalments and carries interest at a rate of 1.2% per annum over HIBOR; (ix) a mortgage loan with a principal amount of HK\$100,000,000 that shall be repayable by 234 monthly instalments and carries interest at a rate of 2.25% per annum below the Hong Kong dollars Prime Rate; (x) a short-term loan with a principal amount of HK\$75,000,000 that shall be repayable within three months and carry interest at a rate of 2.25% per annum over HIBOR and (xi) a mortgage loan with a principal of HK\$70,000,000 that shall be repayable by 60 monthly instalments and carries interest at a rate of 1.2% per annum over HIBOR.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

15. SECURED BANK BORROWINGS (Cont'd)

The range of effective interest rates of the Group's bank borrowings were 1.25% to 5.31% per annum for the six months ended 31 December 2009 (1.7.2008 to 31.12.2008: 2.29% to 6.875%).

All bank borrowings are secured by certain apartments of the Group's properties held for sale and all of the Group's investment properties and leasehold properties to the banks.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial instruments - fair value	83,700	75,600

In previous years, the Group granted two options to Fine Chiffon Corporation Limited ("Fine Chiffon") for the benefits of (i) part of the Group's leasehold property at a consideration of HK\$32,000,000 ("Option 1") and (ii) 20% of the share capital of Banhart Company Limited ("Banhart"), which is a wholly-owned subsidiary of the Company and is also the beneficial owner of the leasehold property in (i) above, at a consideration of HK\$10,000,000 in substitution for the repayment of the outstanding loan at the end of the loan period ("Option 2"). Fine Chiffon is entitled to exercise the options prior to the expiry of 36-months loan period and the options are non-transferable.

On 6 September 2008, Fine Chiffon exercised the options. The Company is in negotiation with Fine Chiffon in relation to the timing for transferring the benefits of those assets to Fine Chiffon. A derivative is recognized at the amount expected to be settled at the transfer date, which is estimated with reference to the market price of the underlying leasehold property as at 31 December 2009. A fair value loss of HK\$8,100,000 (1.7.2008 to 31.12.2008: gain of HK\$25,782,000) was recognised in profit or loss during the period ended 31 December 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

17. SHARE CAPITAL

	Nominal value per share <i>HK\$</i>	Numbers of shares	Amount <i>HK\$'000</i>
Authorised:			
At 1 July 2008, 30 June 2009 and 31 December 2009	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2008	0.01	532,643,992	5,327
Issue of shares on conversion of convertible redeemable preference shares		960,000	10
At 30 June 2009	0.01	533,603,992	5,337
Issue of shares on conversion of convertible redeemable preference shares		520,000	5
At 31 December 2009	0.01	534,123,992	5,342

All shares issued in prior year rank pari passu in all aspects with other share in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

18. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	Amount of par value HK\$'000
Authorised:		
At 1 July 2008, 30 June 2009 and 31 December 2009	1,270,000,000	12,700
Issued and fully paid:		
At 1 July 2008	259,763,430	2,597
Conversion of issued convertible redeemable preference shares into ordinary shares	(960,000)	(10)
At 30 June 2009	258,803,430	2,587
Conversion of issued convertible redeemable preference shares into ordinary shares	(520,000)	(5)
At 31 December 2009	258,283,430	2,582

The convertible redeemable preference shares with nominal value of HK\$0.01 were issued at HK\$0.25 per share on 24 November 2006.

Movement of the convertible redeemable preference shares are as follows:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 July 2008	20,820	24,947	45,767
Conversion of convertible redeemable preference shares	(94)	(147)	(241)
Interest charged for the year	2,967	–	2,967
At 30 June 2009	23,693	24,800	48,493
Conversion of convertible redeemable preference shares	(51)	(79)	(130)
Interest charged for the period	1,650	–	1,650
At 31 December 2009	25,292	24,721	50,013

18. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Note:

As announced by the Company on 3 July 2007, the alternation of the terms of the existing convertible redeemable preference shares has been duly approved by the holders of convertible redeemable preference shares at the special general meeting held on 3 July 2007. The approved alternation of the terms of the existing convertible redeemable preference shares are summarised as follows:

(i) *Cumulative dividend*

The right to receive a fixed dividend of HK\$0.02 per convertible redeemable preference share payable annually has been revoked and replaced with the right to receive a dividend per convertible redeemable preference share based on the dividend or any other distribution (if any) per ordinary share of Sensors Integration Technology Limited, a wholly-owned subsidiary of the Company and engaged in manufacture of optical sensor systems and optical communication products, declared and paid by Sensors Integration Technology Limited.

(ii) *Early redemption at the option of the Company*

The early redemption option of the Company in the event that the price of the ordinary share of the Company close on thirty consecutive trading days at a price that is 100% higher than the conversion price of convertible redeemable preference share has been revoked.

(iii) *Further issues*

The right of the Company to issue convertible redeemable preference shares in priority to the existing convertible redeemable preference shares has been revoked. New issues of convertible redeemable preference shares has been permitted only if the proceeds of the issues are used solely to subscribe for the same number of ordinary shares in Sensors Integration Technology Limited and at the same price.

As a result of the alternation of the terms of the existing convertible redeemable preference shares, the liability component of the existing convertible redeemable preference shares has been decreased by approximately HK\$21,766,000 and, in turn the amount was transferred to other reserve at 3 July 2007.

The principal terms of the convertible redeemable preference shares at 31 December 2009 and 30 June 2009 include the following:

(i) *Early redemption at the option of the Company*

The Company has the option, but not the obligation, to redeem all but not a portion of the convertible redeemable preference shares at face value if there are less than 80 millions convertible redeemable preference shares in issue.

18. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Note: (Cont'd)

(ii) Conversion rights

Holders of the convertible redeemable preference shares are entitled to convert all or any of their convertible redeemable preference shares into ordinary shares in the Company at the conversion price of HK\$0.25 per share, subject to adjustment provisions which are standard terms for convertible securities of similar type. The adjustment events will arise as result of certain changes in share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company.

Holders of the convertible redeemable preference shares are not required to pay any extra amount should they convert their convertible redeemable preference shares into ordinary shares in the Company.

(iii) Cumulative dividend

The dividend per convertible redeemable preference share is based on the dividend or any other distribution (if any) per ordinary share of Sensors Integration Technology Limited, a wholly-owned subsidiary of the Company and engaged in manufacture of optical sensor systems and optical communication products, declared and paid by Sensors Integration Technology Limited.

Sensors Integration Technology Limited will declare a dividend to its shareholders only if Sensors Integration Technology Limited has received written confirmation from the Company that the Company is permitted to declare and pay a dividend in the same amount to the holders of the convertible redeemable preference shares and an undertaking to declare and pay such a dividend.

(iv) Redemption

A holder of the convertible redeemable preference shares may by notice in writing to the Company requires the Company to redeem all or any of the then outstanding convertible redeemable preference shares, whereupon subject to the requirements of the Companies Act.

The Company shall pay to such holder a redemption amount equal to the aggregate initial subscription price of such number of convertible redeemable preference shares so redeemed together with the cumulative dividend that has accrued and payable upon the occurrence of any of the following (whichever is the earliest):

- (a) 31 December 2016;
- (b) any consolidation, amalgamation or merger of the Company with any other corporation;
- (c) listing of the ordinary shares of the Company are revoked or withdrawn (except in connection with the simultaneous listing of the ordinary shares on any Recognised Stock Exchange);
- (d) a directors' resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company; or

18. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

Note: (Cont'd)

(iv) *Redemption (Cont'd)*

- (e) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company.

(v) *Priority*

The convertible redeemable preference shares rank in priority to the ordinary shares in the Company as to dividends and a return of the capital paid up on the convertible redeemable preference shares. Once the capital paid up has been returned and all the accumulative dividends paid, the convertible redeemable preference shares are not entitled to any further payment from or distributions by the Company.

(vi) *Voting*

The convertible redeemable preference shares do not entitle the holders to attend or vote at meeting of the Company except on resolutions which directly affect their rights or on a winding-up of the Company or a return or repayment of capital.

(vii) *Further issues*

New issues of convertible redeemable preference shares has be permitted only if the proceeds of the issues are used solely to subscribe for the same number of ordinary shares in Sensors Integration Technology Limited and at the same price.

The net proceeds received from the issue of the convertible redeemable preference shares contain the following components that are required to be separately accounted for in accordance with HKAS 32 "Financial Instrument: Disclosure and Presentation":

- (a) Debt component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the period if calculated by applying effective interest rates of the debt component for the period since the convertible redeemable preference shares were issued.

- (b) Equity component represents the difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component.

19. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 31 December 2009 that the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage.

- (a) On 26 July 2005, Brightland Corporation Limited (“Brightland”) issued a writ against Banhart Limited (“Banhart”) under HCA 1445 of 2005 claiming various declarations, damages and other relief in relation to the sale and purchase of the Group’s leasehold property situated at Unit C on the 45th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Hong Kong (the “Office Property”). This action was consolidated with the action mentioned in paragraph (b) below on 9 June 2006.
- (b) On 27 February 2006, Crowning Success Limited (“Crowning Success”), a sub-purchaser of the Office Property issued a summons against Banhart for the purpose of joining Banhart as the second defendant in its action against Brightland under HCA 1540 of 2005. On 13 April 2006, the court ordered that Banhart be joined as the second defendant in the action. The amended writ and the amended statement of claim were filed and served on 27 April 2006. The parties have already filed their pleadings.

On 14 February 2008, Crowning Success issued a summons for an order of the court that the parties do mutually exchange expert valuation report on the market values of the Office Property as at 22 July 2005 and thereafter at 3-months interval until 22 January 2008. The court refused to grant such an order but instead ordered the parties to exchange expert valuation report on the market values of the Office Property as at 22 July 2005 and 22 January 2006. On 6 March 2008, Crowning Success filed a Notice of Appeal to appeal such decision. The appeal was dismissed by the court on 22 April 2008 with costs to Brightland. On 29 September 2008, the Group paid HK\$12,000,000 as a security deposit according to the court order. On 4 April 2009, the Court has ordered the Company to return the outstanding deposits of HK\$858,000 to Brightland with interest, and to pay damages to Brightland in the sum of HK\$4,740,000 with interest. On 30 April 2009, the Company has filed a Notice of Appeal. The appeal was dismissed by the Court of Appeal on 17 March 2010. It is anticipated for the present purposes that the maximum amount of damages and claims will not exceed HK\$8,500,000. As at 31 December 2009, the outstanding deposits of HK\$858,000 was included in other payables while the damages of HK\$4,740,000 and HK\$3,760,000 were debited directly to the consolidated statement of comprehensive income in prior year and current period respectively from the security deposit paid. The Group is seeking for legal advise and consider to appeal against the decision of the Court of Appeal.

- (c) On 17 May 2006, Chinese Regency Limited (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood Limited (“Holyrood”), a subsidiary of the Company, claiming damages for breach of an agreement for sale and purchase of Flat B on the 5th Floor of Block A1 and the car parking space No. 5 of the Peak Road Project. The pleading stage is completed and the litigation is still ongoing. As the amount of damages and claims are to be assessed, no such details are available.

19. CONTINGENT LIABILITIES (Cont'd)

- (d) On 1 June 2007, Gateway International Development Limited (“Gateway”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$5,048,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat A on the 6th Floor of Block A2 and the car parking space No. 51 of the Peak Road Project, breach of the Deed of Mutual Covenant and nuisance on the development. Gateway and Holyrood attended a checklist hearing on 18 March 2009 and the master has set the timetable in respect of the hearing and the adjourned hearing on 23 June 2009. It is anticipated for the present purposes that the trial of these actions may take place in the second quarter of calendar 2010. The Court has also given directions for the parties to attempt mediation. Parties are now in the course of agreeing on the appointment of mediators.
- (e) On 1 June 2007, Sun Crown Trading Limited (“Sun Crown”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$5,154,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 6th Floor of Block A2 and the car parking spaces Nos. 47 and 48 of the Peak Road Project, breach of the Deed of Mutual Covenant and nuisance on the development. Sun Crown and Holyrood attended a checklist hearing on 18 March 2009 and the master has set the timetable in respect of the hearing and the adjourned hearing on 23 June 2009. It is anticipated for the present purposes that the trial of these actions may take place in the second quarter of calendar 2010. The Court has also given directions for the parties to attempt mediation. Parties are now in the course of agreeing on the appointment of mediators.
- (f) On 1 June 2007, Trillion Holdings Limited (“Trillion”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$4,085,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 8th Floor of Block A2 and the car parking spaces Nos. 41 and 42 of the Peak Road Project, breach of the Deed of Mutual Covenant and nuisance on the development. Trillion and Holyrood attended a checklist hearing on 18 March 2009 and the master has set the timetable in respect of the hearing and the adjourned hearing on 23 June 2009. It is anticipated for the present purposes that the trial of these actions may take place in the second quarter of calendar 2010. The Court has also given directions for the parties to attempt mediation. Parties are now in the course of agreeing on the appointment of mediators.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

19. CONTINGENT LIABILITIES (Cont'd)

- (g) On 22 January 2009, Woon Lee (HK) Company Limited (“Woon Lee”) issued a writ against Holyrood under HCCT 4 of 2009 in relation to outstanding balances on decoration costs of residential development at Inland Lot No.7878, Nos. 10-12 Peak Road, Hong Kong, claiming against Holyrood a total sum of HK\$15,894,063 together with interest thereon at the rate of 8.192% per annum from 22 January 2009 to the date of judgment and thereafter at the judgment rate until full payment, and fixed costs of HK\$1,550. Final and interlocutory judgement was entered by Woon Lee against Holyrood on 12 February 2009. On 25 February 2009, Holyrood issued a summons to apply for an order to set aside the said judgement and have filed affirmation and expert report in support of the defense. The trial have been fixed with hearing between 7 June 2010 to 14 June 2010. As the amount of damages and claims are to be assessed, no such details are available.
- (h) On 12 June 2009, Woon Lee Construction Company Limited filed a Statement of Claim against Holyrood under Arbitration in relation to outstanding balances on construction costs of residential development at Inland Lot No.7878, Nos. 10-12 Peak Road, Hong Kong, claiming against Holyrood a total sum of HK\$8,621,383 together with interest and fixed costs. On 3 March 2010, Holyrood has filed expert report in support of the defense. The trial have been fixed with hearing between 12 April 2010 to 16 April 2010. As the amount of damages and claims are to be assessed, no such details are available.

Based on the legal advice obtained by the Group, except for the damage of HK\$8,500,000 stated in (b) above, the Board is of the option that the remaining mentioned claims have no merit and the lawsuits will not have a material adverse effect on the consolidated financial statements of the Group. Accordingly, no further provision is considered as necessary.

20. PLEDGE OF ASSETS

At the statement of financial position date, the following assets of the Group were pledged to secure credit facilities granted to the Group.

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale	828,986	828,986
Investment properties	181,000	168,000
Leasehold properties	81,643	82,959
Bank deposits	21,225	21,178
	<hr/>	<hr/>
	1,112,854	1,101,123
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2009

21. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) Lilian Oung, one of the shareholders of Five Star and a director of the subsidiaries, has provided personal guarantees in respect of the following:

	31.12.2009	30.6.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Credit facilities granted to the Group	<u>1,024,275</u>	<u>1,027,190</u>

- (b) Details of the amount due to a director of subsidiaries are set out in note 14.