



Far East Technology International Limited

遠東科技國際有限公司

A Hong Kong listed company with stock code : 0036



Interim Report
2006

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

CORPORATE INFORMATION**PLACE OF INCORPORATION**

Hong Kong

BOARD OF DIRECTORS***Executive Directors:***

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

Mr. Duncan Chiu, B.Sc.
(*Managing Director and
Chief Executive Officer*)

Mr. Dennis Chiu, B.A.

Non-executive Directors:

Tan Sri Dato' David Chiu, B.Sc.

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu, B.A.

Mr. Desmond Chiu, B.A.

Ms. Margaret Chiu, LL.B.

Independent Non-executive Directors:

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

Mr. Hing Wah Yim

AUDIT COMMITTEE

Dr. Lee G. Lam (*Chairman*)

Mr. Ryan Yen Hwung Fong

Mr. Derek Chiu, B.A.

REMUNERATION COMMITTEE

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

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

COMPANY SECRETARY

Mr. Hung Kwong Lui, FCPA, FCCA, CGA

QUALIFIED ACCOUNTANT

Mr. Hung Kwong Lui, FCPA, FCCA, CGA

SOLICITOR

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia Limited
Hang Seng Bank Limited

REGISTERED OFFICE

16th Floor Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

PRINCIPAL OFFICE

Room 1802-1804 18th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

Stock Exchange of Hong Kong Limited
("SEHK"): 036
Board Lot Size: 3,000

WEBSITE

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

During the six months period ended 30th June, 2006 (the "Period") the Company and its subsidiaries (the "Group") recorded a turnover of HK\$42.10 million (2005: HK\$30.3 million), representing a rise of 38.94% over corresponding period in 2005. The Group's loss attributable to equity holders of the Company amounted to HK\$1.35 million (2005: profit of HK\$4 million) representing a decrease of 1.34 times compared to the corresponding period in 2005.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2006, the Group had cash and bank balances of HK\$33.40 million (2005: HK\$46.5 million). Fundamentally, the Group's funding policy is to finance the business operations with internal generated cash and banking facilities. As at 30th June, 2006, the Group had total borrowings of HK\$17.33 million (2005: HK\$15.75 million) of which HK\$17.02 million (2005: HK\$15.38 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar. Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing Ratio and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2006 slightly raised to 10.04% (2005: 9.20%). While the Group's current ratio (current assets to current liabilities) as at 30th June, 2006 has been maintained at a healthy level of 2.18 (2005: 2.23). The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

Capital Structure

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 23rd May, 2006, 9.95 million shares were issued and allotted on 30th May, 2006 as fully paid up by way of a one for ten bonus issue in respect of which an amount of HK\$0.1 million standing to the credit of the share premium account was applied. Accordingly, the Company's issued share capital was increased from HK\$1 million to HK\$1.1 million by the bonus issue of 9.95 million shares of HK\$0.01 each in the share capital of the Company. The new ordinary shares rank *pari passu* with the existing shares in all respect.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

FINANCIAL REVIEW (Continued)

Pledge of Assets

As at 30th June, 2006 certain assets of the Group with an aggregate carrying value of approximately HK\$55.30 million (2005: HK\$36.7 million) were pledged to secure loans facilities utilized by the Group.

Risk on Foreign Exchange Fluctuations

The Group had no significant risk on foreign exchange fluctuation during the period.

Contingent Liabilities and Capital Commitments

As at 30th June, 2006, the Group and the Company had no contingent liabilities (2005: Nil) and also no capital commitments (2005: Nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the period, the Group had no material acquisition and disposals of subsidiaries except that interests in associate, in May, 2006 Chinasoft International Limited (the "Chinasoft") allotted and issued second portion 23.25 million consideration shares at an issue price of HK\$1.16 each to China National Computer Software & Technology Service Corporation (Hong Kong) Limited (the "CS&S (HK)") for acquisition of 51% equity interest in Chinasoft Resources Information Technology Services Limited ("Chinasoft Resources") who had achieved the required profit hurdle in 2005 accounts. Accordingly, the Group's shareholding in Chinasoft had decreased from 23.20% to 22.48%, resulting in a loss on deemed disposal of HK\$3.15 million during the period (2005: Nil). However, it raised to 22.51% after the Group had acquired 0.2 million Chinasoft shares in open market at a consideration of approximately at HK\$0.195 million.

BUSINESS REVIEW

For information technology investment, the Group's share of profit of an associate, relating to 22.51% equity interests in Chinasoft, raised to HK\$4.98 million (2005: HK\$4.35 million), representing an increase of 14.48% in the corresponding period 2005. With its acquisition of Powerise International and Opportune Technology, Chinasoft extends its business relationship with Microsoft Corporation and has also successfully expanded its outsourcing services into the Japanese market. In addition, Chinasoft has also established a subsidiary in the United States to enhance its global reach and shortened the gap with United States clients. It helps Chinasoft to continue to strengthen its market share in information technology industries within China.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

BUSINESS REVIEW (Continued)

For industrial holdings, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (the "Jiangsu Bang Bang") reported turnover of HK\$14.5 million, representing a decline of 3.33% compared with the corresponding period in 2005. Whereas Suzhou Goldtract Commodity Concrete Company Limited recorded a turnover of HK\$11.40 million, representing a rise of 22.58% compared with the corresponding period in 2005. Safeguard quotas reimposed by the United States and European Union on specific categories of textile and garment products since mid 2005 effectively restricted the growth of textile industry and exerting a general downside pressure on textile products. The operating environment for garment export sales will continue to be challenging in the second half of 2006.

For Investment properties, gross rental income for the period, decreased by 20% to HK\$0.40 million compared with the corresponding period in 2005. Retail rentals regained its momentum in the second half of 2006 after a period of market consolidation in the first half of 2006. In anticipation of further economic growth and increase in consumption expenditure of the local households, retail sales will benefit, thus providing further growth impetus to retail rentals.

PROSPECTS

Whilst there are concerns about the impact of high interest rates, surging energy prices and political tensions on the global economy, the Group's operating environment is generally positive nurtured by the robust economic growth in the Mainland China. The recent measures to slow down the mainland economy are specific to certain over-invested sectors and the central government has emphasized on the improvement of living standards and a more balanced growth model in favour of domestic consumption. With a mission to deliver shareholders' value, the Group has already constructed solid platforms for sustainable growth through our transformation into an investment company.

The Group will closely attend to the development of the Mainland China market, and study the feasibility of investing in the aviation related projects in the Mainland China. The Group is also actively seeking investment opportunities and expanding investment channels in order to capitalize the financial strength of the Group and maximize shareholders' value.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

EMPLOYEE

As at 30th June, 2006, the Group had approximately 600 employees in Hong Kong and the People's Republic of China (the "PRC") (2005: 600 employees) with majority of these employees employed in the PRC. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus and discretionary employee share options would be granted to reward and motivate those well performed employees.

POST BALANCE SHEET EVENT

The Group had the following significant subsequent events:

On 28th May, 2006, the China Entertainment (Jiangsu) Development Limited (a wholly-owned subsidiary of the Company) entered into a conditional share transfer agreement with the 無錫市新業建設發展公司 for the disposal of 65% equity interest in Wuxi Cheerman Property Company Limited at a consideration of RMB15.5 million.

The Company acquired of HK\$8.3 million principal amount of the convertible notes of Satellite Devices Corporation from First Vantage Limited on 25th August, 2006 at a consideration of HK\$4.98 million.

Details of the above disposal and acquisition are set out in the circular and the announcement of the Company dated 3rd July, 2006 and 5th September, 2006 respectively.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (2005: Nil).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at the 30th June, 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company:

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

Name of director	Number of ordinary shares of the Company held				Percentage of issued share	
	Personal interests	Family interests	Corporate interests	Other interest	Total interest	capital of the Company
Deacon Te Ken Chiu, J.P.	10,424,332	2,087,580 ⁽¹⁾	1,612,683	2,339,679 ⁽⁵⁾	16,464,274	15.04%
Tan Sri Dato' David Chiu	1,870,000	–	6,168,800 ⁽²⁾	–	8,038,800	7.34%
Ms. Margaret Chiu	1,100,000	–	–	–	1,100,000	1.01%
Mr. Dennis Chiu	3,520,044	–	2,200,000 ⁽³⁾	1,169,856 ⁽⁵⁾	6,889,900	6.29%
Mr. Daniel Tat Jung Chiu	2,420,000	–	11,440,044 ⁽⁴⁾	–	13,860,044	12.66%
Mr. Derek Chiu	44,220	–	–	–	44,220	0.04%
Mr. Desmond Chiu	1,100,000	–	–	–	1,100,000	1.01%
Mr. Duncan Chiu	23,221,570	–	–	7,699,937 ⁽⁵⁾	30,921,507	28.25%

Notes:

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

OTHER INFORMATION (Continued)**DIRECTORS' INTERESTS IN SHARES (Continued)****(ii) Directors' interests in share options of the Company**

As at 30th June, 2006, the interests of the Directors or chief executive of the Company, and their respective associates, in the underlying shares of the Company which may be issued pursuant to exercise of the share options granted to the Directors pursuant to the Company's share option scheme were as follows:

Name of Grantee	Number of Shares Options				Exercise price HK\$	Date of grant	Exercisable period
	Outstanding as at 1/1/2006	Granted during the period	Adjustment for bonus issue	Outstanding as at 30/6/2006			
Deacon Te Ken Chiu, J.P.	2,128,848	–	210,831	2,339,679	1.1540 ⁽ⁱ⁾	21/7/2005	21/7/2005-20/7/2015
Mr. Dennis Chiu	1,064,424	–	105,432	1,169,856	1.1540 ⁽ⁱ⁾	21/7/2005	21/7/2005-20/7/2015
Mr. Duncan Chiu	3,406,158	–	337,309	3,743,467	1.1540 ⁽ⁱ⁾	21/7/2005	21/7/2005-20/7/2015
	–	1,800,000	178,235	1,978,235	1.2193 ⁽ⁱⁱ⁾	21/4/2006	23/5/2006-22/5/2016
	–	1,800,000	178,235	1,978,235	1.2193 ⁽ⁱⁱ⁾	21/4/2006	23/5/2007-22/5/2017
Aggregate for directors	6,599,430	3,600,000	1,010,042	11,209,472			
Aggregate for employees	425,770	–	42,228	467,998	1.1540 ⁽ⁱ⁾	21/7/2005	21/7/2005-20/7/2015
	–	750,000	74,265	824,265	1.2193 ⁽ⁱⁱ⁾	21/4/2006	23/5/2006-22/5/2016
	–	750,000	74,265	824,265	1.2193 ⁽ⁱⁱ⁾	21/4/2006	23/5/2007-22/5/2017
	<u>7,025,200</u>	<u>5,100,000</u>	<u>1,200,800</u>	<u>13,326,000</u>			

OTHER INFORMATION (Continued)**DIRECTORS' INTERESTS IN SHARES (Continued)****(ii) Directors' interests in share options of the Company (Continued)***Notes:*

- (1) At the 2005 annual general meeting of the Company held on 23rd May, 2005, a share option scheme (the "Option Scheme") of the Company was adopted by the shareholders of the Company. As at 30th June, 2006, there are options relating to 13,326,000 shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.
- (2) At the 2006 annual general meeting of the Company held on 23rd May, 2006, a bonus issue of one new share for every ten shares ("Bonus Issue") held as of that date was approved by the shareholders. All the share options which were granted and remained outstanding as of 23rd May, 2006 were adjusted with the Bonus Issue and accordingly, the number of share options increased by one share for every ten shares in the share options, and the exercise price per share was adjusted from (i) HK\$1.2683 to HK\$1.1540 and (ii) HK\$1.34 to HK\$1.2193 respectively.
- (3) No options were exercised, cancelled or lapsed during the period.
- (4) Other details of share options granted by the Company are set out in note 16 to the financial statements.

Save as disclosed above, at 30th June, 2006, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed “Directors’ Interests in Shares”, the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

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

Notes:

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

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company’s issued share capital at 30th June, 2006.

OTHER INFORMATION (Continued)

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

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

CORPORATE GOVERNANCE

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2006, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

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

AUDIT COMMITTEE

The Audit Committee of the Company comprised of one Non-executive Director and two Independent Non-executive Directors namely, Mr. Derek Chiu, Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong respectively.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30th June, 2006.

REMUNERATION COMMITTEE

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

OTHER INFORMATION (Continued)**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2006.

On behalf of the Board

DUNCAN CHIU

Managing Director and Chief Executive Officer

Hong Kong, 22nd September, 2006

INTERIM RESULTS

The board of directors (the “Board”) of Far East Technology International Limited (the “Company”) herein present their unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2006 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

	<i>Notes</i>	Unaudited six months ended 30th June,	
		2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	3	42,081	30,336
Cost of sales		(39,415)	(28,863)
Gross profit		2,666	1,473
Other income		672	829
Distribution costs		(188)	(383)
Administrative expenses		(7,629)	(5,264)
Finance costs		(277)	(112)
Other expenses		(176)	(67)
Increase (decrease) in fair value of held-for-trading investments		322	(1,600)
Gain on disposal of available-for-sale investments		–	1,046
Increase in fair value of investment properties		1,422	1,500
Gain on disposal of an associate	10	–	2,924
Loss on deemed disposal of an associate	10	(3,149)	–
Share of results of associates	10	4,978	4,330
Share of results of a jointly-controlled entity		–	(582)
(Loss) profit before taxation	4	(1,359)	4,094
Taxation	5	(38)	(22)
(Loss) profit for the period		(1,397)	4,072

CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

For the six months ended 30th June, 2006

	<i>Notes</i>	Unaudited six months ended 30th June,	
		2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)
Attributable to:			
Equity holders of the Company		(1,348)	3,992
Minority interests		(49)	80
		<u>(1,397)</u>	<u>4,072</u>
Dividend	6	<u>—</u>	<u>—</u>
(Loss) earnings per share			
Basic	7	<u>(1.3 cents)</u>	<u>6.0 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30th June, 2006*

		30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	8	41,040	36,040
Property, plant and equipment		13,751	14,745
Prepaid lease payments	9	3,364	3,467
Interests in associates	10	62,147	64,139
Interest in a jointly-controlled entity		1,583	1,583
Available-for-sale investments		9,289	8,567
		131,174	128,541
CURRENT ASSETS			
Prepaid lease payments	9	204	204
Held-for-trading investments		44,765	33,375
Inventories		783	6,493
Trade and other receivables	11	20,761	15,245
Amount due from associates		670	662
Amount due from a minority shareholder		7,061	5,551
Tax prepaid		212	21
Pledged bank deposits		17,774	4,851
Bank balances and cash		15,620	41,628
		107,850	108,030
CURRENT LIABILITIES			
Trade and other payables	12	26,233	26,067
Amounts due to directors		2,892	3,688
Amounts due to related companies		1,557	1,557
Amount due to a minority shareholder		1,324	1,312
Amount due to a jointly-controlled entity		508	508
Bank and other loans	14	16,906	15,273
Obligations under a finance lease			
– due within one year	13	113	102
		49,533	48,507
NET CURRENT ASSETS			
		58,317	59,523
		189,491	188,064

CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

As at 30th June, 2006

		30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
	Notes		
CAPITAL AND RESERVES			
Share capital	15	1,095	995
Reserves		171,499	170,219
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		172,594	171,214
Minority interests		15,845	15,773
		<hr/>	<hr/>
		188,439	186,987
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Obligations under a finance lease – due after one year	13	311	375
Deferred taxation		741	702
		<hr/>	<hr/>
		1,052	1,077
		<hr/>	<hr/>
		189,491	188,064
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th June, 2005 (Unaudited)

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2005, as originally stated	331,669	282,892	1,950	606	–	(499,790)	117,327	16,329	133,656
Effect of change in accounting policies									
HKAS 17	–	–	–	–	–	(438)	(438)	–	(438)
HKAS 39	–	–	–	–	3,368	–	3,368	–	3,368
HKAS 40	–	–	(1,950)	–	–	1,950	–	–	–
At 1st January, 2005, as restated	331,669	282,892	–	606	3,368	(498,278)	120,257	16,329	136,586
Increase in fair value of available-for-sale investments	–	–	–	–	145	–	145	–	145
Exchange differences arising on translation of overseas operations	–	–	–	1	–	–	1	(12)	(11)
Share of post-acquisition reserve movement of associates during the period	–	–	–	(57)	–	–	(57)	–	(57)
Net income (expense) recognised directly in equity	–	–	–	(56)	145	–	89	(12)	77
Profit for the period	–	–	–	–	–	3,992	3,992	80	4,072
Total recognised income and expense for the period	–	–	–	(56)	145	3,992	4,081	68	4,149
Capital reduction during the period	(331,006)	(201,549)	–	–	–	532,555	–	–	–
At 30th June, 2005, as restated	663	81,343	–	550	3,513	38,269	124,338	16,397	140,735

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2006

	Unaudited six months ended 30th June,	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(14,729)	(9,583)
Net Cash (used in) from investing activities	(12,747)	3,563
Net cash from financing activities	<u>1,304</u>	<u>6,525</u>
Net (decrease) increase in cash and cash equivalents	(26,172)	505
Cash and cash equivalents at beginning of period	41,628	14,467
Effect of foreign exchange rate changes	<u>164</u>	<u>(10)</u>
Cash and cash equivalents at end of period represented by bank balances and cash	<u><u>15,620</u></u>	<u><u>14,962</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2005 annual financial statements.

2. Application of Hong Kong Financial Reporting Standards / changes in accounting policies

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2005 except as described below:

In current period, the Group and the Company have applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2006.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies”

The adoption of the new HKFRSs have no material impact on the unaudited condensed consolidated interim financial statements of the Group and the Company. Certain comparative figures for prior accounting period have been restated to conform with the current period’s presentation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. Business and geographical segments

Business segments

	Continuing operations							
	Securities investment and trading		Property development and investment		Industrial		Consolidated	
			Unaudited six months ended 30th June,					
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	<u>15,750</u>	<u>5,572</u>	<u>441</u>	<u>506</u>	<u>25,890</u>	<u>24,258</u>	<u>42,081</u>	<u>30,336</u>
RESULTS								
Segment results	<u>(2,690)</u>	<u>(3,749)</u>	<u>1,921</u>	<u>1,562</u>	<u>(2,814)</u>	<u>(1,108)</u>	<u>(3,583)</u>	<u>(3,295)</u>
Other income	600	829	3	–	69	–	672	829
Finance costs							(277)	(112)
Gain on disposal of an associate							–	2,924
Loss on deemed disposal of an associate							(3,149)	–
Share of results of associates							4,978	4,330
Share of results of a jointly – controlled entity	–	–	–	(582)	–	–	–	(582)
(Loss) profit before taxation							(1,359)	4,094
Taxation							(38)	(22)
(Loss) profit for the period							(1,397)	4,072

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. Business and geographical segments (Continued)

Geographical segments

	Sales revenue by geographical market	
	Unaudited six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong	18,870	9,633
PRC	11,503	9,117
Japan	11,708	11,586
	42,081	30,336

4. (Loss) profit before taxation

	Unaudited six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
		(restated)

(Loss) profit before taxation has been arrived at after charging:

Amortisation of prepaid lease payments	102	87
Auditors' remuneration	348	290
Cost of inventories recognised as expense	26,281	23,711
Depreciation	2,006	2,305
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$515,243 (2005: HK\$641,943)	7,214	6,427
Net exchange loss	50	57
Loss on disposal of property, plant and equipment	3	—
Operating lease payment in respect of rented premises	156	111

and after crediting:

Rental income from investment properties, less outgoings of HK\$29,843 (2005: HK\$21,304)	411	506
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

5. Taxation

	Unaudited six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
The charge comprises:		
PRC enterprise income tax:		
Current period	—	(22)
	—	(22)
Deferred taxation	(38)	—
	(38)	(22)

PRC enterprise income tax is calculated at the rates prevailing.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong have no assessable profits for the both periods.

6. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2006 (six months ended 30th June, 2005: Nil).

7. (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to equity holders of the Company of HK\$1,348,000 (six months ended 30th June, 2005: profit of HK\$3,992,000) and on the weighted average number of 101,259,774 (six months ended 30th June, 2005: 66,333,781) ordinary shares in issue during the period, after taking into account the effect of the bonus issue during the period.

No diluted (loss) earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the period, and the effect of dilutive potential ordinary shares of an associate is considered to be insignificant.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. Investment properties

	THE GROUP	
	30/6/2006	31/12/2005
	(unaudited)	(audited)
	HK\$'000	HK\$'000
AT FAIR VALUE		
At beginning of period/year	36,040	32,640
Addition	3,578	–
Increase in fair value recognised in income	1,422	3,400
	<hr/>	<hr/>
At end of period/year	41,040	36,040
	<hr/>	<hr/>

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

The investment properties were fair valued at 30th June, 2006 and 31st December, 2005 in existing state on an open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which confirms to International Valuation Standards, was arrived at by reference to market evidence of the transaction prices for similar properties.

The investment properties of the Group and the Company include amounts of HK\$6,940,000 and HK\$4,640,000 at 30th June, 2006 (31st December, 2005: HK\$6,940,000 and HK\$4,640,000) respectively, the title of which has not been transferred to the Group and the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

9. Prepaid lease payments

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

	THE GROUP	
	30/6/2006	31/12/2005
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Current assets	204	204
Non-current assets	3,364	3,467
	<hr/>	<hr/>
	3,568	3,671
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. Interests in associates

	THE GROUP		THE COMPANY	
	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Listed shares, at cost	15,581	15,386	15,581	15,386
Unlisted shares, at cost	—	—	—	—
Share of post-acquisition profits, net of dividends received	46,566	48,753	—	—
	62,147	64,139	15,581	15,386
Market value of listed shares	181,996	144,406	181,996	144,406

Particulars of associates of the Group at 30th June, 2006 are as follows:

Name of associates	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activities
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ PRC	22.51%	Provision of information technology services
Fortex Investments Limited ("Fortex")	British Virgin Islands/Hong Kong	41.67%	Inactive

In May, 2006, Chinasoft allotted and issued second portion 23,248,302 consideration shares at an issue price of HK\$1.16 each to China National Computer Software & Technology Service Corporation (Hong Kong) Limited (the "CS&S (HK)") for acquisition of 51% equity interest in Chinasoft Resources Information Technology Services Limited ("Chinsoft Resources") who had achieved the required profit hurdle in 2005 accounts. Accordingly, the Group's shareholding in Chinasoft had decreased from 23.20% to 22.48%, resulting in a loss on deemed disposal of HK\$3,149,000 during the period (Six months ended 30th June, 2005: Nil). However, it raised to 22.51% after the Group had acquired 200,000 Chinasoft shares in open market at a consideration of approximately at HK\$195,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. Interests in associates (Continued)

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

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Total assets	585,739	421,697
Total liabilities	138,688	124,684
Net assets	447,051	297,013
Group's share of net assets of associates	62,147	64,139
	Unaudited six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Revenue	130,123	154,191
Profit for the period	28,454	18,403
Group's share of results of associates for the period	4,978	4,330

11. Trade and other receivables

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

	THE GROUP	
	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
0 – 30 days	1,304	2,270
31 – 60 days	2,478	1,023
61 – 90 days	1,568	2,111
Over 90 days	4,610	5,707
Total trade receivables	9,960	11,111
Other receivables	10,801	4,134
	20,761	15,245

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12. Trade and other payables

The aged analysis of trade payables is as follows:

	THE GROUP	
	30/6/2006	31/12/2005
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	1,707	3,106
31 – 60 days	4,116	832
61 – 90 days	2,195	880
Over 90 days	6,145	9,771
	<hr/>	<hr/>
Total trade payables	14,163	14,589
Other payables	12,070	11,478
	<hr/>	<hr/>
	26,233	26,067
	<hr/>	<hr/>

13. Obligations under a finance lease

	Minimum lease payments		Present value of minimum lease payments	
	30/6/2006	31/12/2005	30/6/2006	31/12/2005
	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance lease:				
Within one year	160	160	113	102
In the second to fifth year inclusive	360	453	311	375
	<hr/>	<hr/>	<hr/>	<hr/>
	520	613	424	477
Less: Future finance charges	(96)	(136)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	424	477	424	477
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Amount due within one year shown under current liabilities			(113)	(102)
			<hr/>	<hr/>
Amount due after one year			311	375
			<hr/>	<hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14. Bank and other loans

	THE GROUP	
	30/6/2006	31/12/2005
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Bank and other loans comprise:		
Bank loans	1,814	3,882
Other loans	15,092	11,391
	<u>16,906</u>	<u>15,273</u>

The above loans bear interests at Hong Kong Prime Lending Rate plus 1% per annum or HIBOR plus 1% per annum and are repayable within one year. Total undrawn bank loan facilities at 30th June, 2006 amounting to HK\$38.6 million (31st December, 2005: HK\$36.6 million).

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

Denominated in:	USD	YEN
Functional currency:	HK\$'000	HK\$'000
At 30th June, 2006	8,164	8,742
At 31st December, 2005	<u>3,882</u>	<u>10,284</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

15. Share capital

	Number of Shares		Share Capital	
	30/6/2006 (in thousand)	31/12/2005 (in thousand)	30/6/2006 HK\$'000	31/12/2005 HK\$'000
Authorised:				
At beginning of period/year	70,000,000	700,000	700,000	700,000
Reduction upon capital reorganisation	–	(560,000)	–	(698,600)
Shares subdivision	–	69,860,000	–	698,600
At end of period/year	70,000,000	70,000,000	700,000	700,000
Issued and fully paid:				
At beginning of period/year	99,501	331,669	995	331,669
Reduction upon capital reorganisation	–	(265,335)	–	(331,006)
Issue of shares upon rights issue	–	33,167	–	332
Bonus issue	9,950	–	100	–
At end of period/year	109,451	99,501	1,095	995

Pursuant to an ordinary resolution passed at annual general meeting on 23rd May, 2006, 9,949,924 ordinary shares were issued and allotted on 30th May, 2006 as fully paid up by way of one for ten bonus issue ("Bonus Issue") in respect of which an amount of HK\$99,499.24 standing to the credit of the share premium account was applied. The new ordinary shares rank pari passu with the existing shares in all respect.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

16. Share option scheme

The Company's share option scheme(the "Scheme"), was adopted pursuant to a resolution passed on 23rd May, 2005 by the shareholders of the Company. As at 30th June, 2006, the total number of shares in respect of which options had been granted and remained outstanding under the Scheme was 13,326,000 (31st December, 2005: 7,025,200) of the shares of the Company in issue at that date.

Pursuant to the bonus issue during the period, the exercised price and number of the share options outstanding balance as at 1st January, 2006 were adjusted accordingly from HK\$1.2683 to HK\$1.1540 and from 7,025,200 to 7,721,000 respectively.

On 21st April, 2006, 5,100,000 share options were granted at an initial exercise price of HK\$1.34, 50% of 5,100,000 share options granted with exercisable period from 23rd May, 2006 to 22nd May, 2016 and the remaining 50% of 5,100,000 share options granted with exercisable period from 23rd May, 2007 to 22nd May, 2017 respectively. Pursuant to the bonus issue during the period, the exercised price and number of the share options granted were adjusted accordingly from HK\$1.34 to HK\$1.2193 and from 5,100,000 to 5,605,000 respectively.

Details of the share options granted on 21st April, 2006 and outstanding at 30th June, 2006, as adjusted for the effect of the bonus issue, are as follows:

Capacity of grantee	Grant date	Exercise price HK\$	Exercisable period (both days inclusive)	Number of Share Options				
				Balance at 1.1.2006	Grant during the period	Balance before Bonus Issue	Adjustment for Bonus Issue	Balance at 30.6.2006
Directors	21/7/2005	1.1540	21st July, 2005 to 20th July, 2015	6,599,430	–	6,599,430	653,572	7,253,002
	21/4/2006	1.2193	23rd May, 2006 to 22nd May, 2016	–	1,800,000	1,800,000	178,235	1,978,235
	21/4/2006	1.2193	23rd May, 2007 to 22nd May, 2017	–	1,800,000	1,800,000	178,235	1,978,235
Employees	21/7/2005	1.1540	21st July, 2005 to 20th July, 2015	425,770	–	425,770	42,228	467,998
	21/4/2006	1.2193	23rd May, 2006 to 22nd May, 2016	–	750,000	750,000	74,265	824,265
	21/4/2006	1.2193	23rd May, 2007 to 22nd May, 2017	–	750,000	750,000	74,265	824,265
				<u>7,025,200</u>	<u>5,100,000</u>	<u>12,125,200</u>	<u>1,200,800</u>	<u>13,326,000</u>

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

16. Share option scheme (Continued)

The estimated fair values of the options granted on 21st April, 2006 are HK\$0.4964 and HK\$0.5613 (21st July, 2005: HK\$0.6439) respectively. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	30/6/2006 (unaudited)	31/12/2005 (audited)
Weighted average share price	HK\$1.218 & HK\$1.218	HK\$1.388
Exercise price	HK\$1.34 & HK\$1.34	HK\$1.35
Expected volatility	49.74% & 49.74%	55%
Expected life	4 years & 5 years	4 years
Risk-free rate	4.51% & 4.60%	3.26%
Expected dividend yield	- & -	-

Expected volatility was determined by using the historical volatility of the Company's share price from 2002 to 2005 (21st July, 2005: 2002 to 2005). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and considerations.

The group recognised the total expense of HK\$1,521,155 during the period (31st December, 2005: HK\$4,249,740) in relation to equity-settled share-based payment transactions.

17. Pledge of assets

At the reporting date:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$15 million (31st December, 2005: HK\$10.9 million), of which HK\$15 million (31st December, 2005: HK\$10.9 million) were utilised, were secured by the listed investments of the Group and the Company of approximately HK\$37.4 million (31st December, 2005: HK\$31.8 million) and HK\$36.6 million (31st December, 2005: HK\$31.2 million), respectively; and
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$40.4 million (31st December, 2005: HK\$40.5 million), of which HK\$1.8 million (31st December, 2005: HK\$3.9 million) were utilised, were secured by time deposits held by the Company of approximately HK\$17.9 million (31st December, 2005: HK\$4.9 million) and by a floating charge over the asset of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

18. Operating lease arrangements

The Group as lessor

Property rental income earned during the period was HK\$441,000 (six months ended 30th June, 2005: HK\$506,000). The properties held have committed tenants for the next two years.

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

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Within one year	642	660
In the second to fifth year inclusive	–	193
	642	853

The Group and the Company as lessee

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

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Within one year	247	235
In the second to fifth year inclusive	172	18
	419	253

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

19. Post balance sheet events

On 28th May, 2006, the China Entertainment (Jiangsu) Development Limited (a wholly-owned subsidiary of the Company) entered into the share transfer agreement with the 無錫市新業建設發展公司 for the disposal of 65% equity interest in Wuxi Cheerman Property Company Limited. The consideration for the disposal is at RMB15.5 million.

The Company acquired of HK\$8.3 million principal amount of the Convertible Notes of Satellite Devices Corporation from First Vantage Limited on 25th August, 2006 at a consideration of HK\$4.98 million.

Details of the above disposal and acquisition are set out in the circular and announcement of the Company dated 3rd July, 2006 and 5th September, 2006 respectively.