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GRANDE
THE GRANDE HOLDINGS LIMITED
嘉域集團有限公司

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

(Stock code: 186)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

FINANCIAL HIGHLIGHTS

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

INTERIM RESULTS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

(Unaudited)

Six months ended

30 June 2009

30 June 2008

Notes

HK\$ million

HK\$ million

(LOSS)/PROFIT ATTRIBUTABLE TO:

Shareholders of the Company

(26)

81

Minority interest

(10)

(28)

(36)

53

TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:

Shareholders of the Company

(18)

116

Minority interest

(12)

(49)

(30)

67

HK cents

HK cents

(LOSS)/EARNINGS PER SHARE

8

Basic

(6)

18

Diluted

N/A

17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

NOTES:

1. BASIS OF PREPARATION

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

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

2. ACCOUNTING POLICIES

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 June 2009:

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

For the six months ended 30 June 2008:

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

(b) Geographical segments:

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

4. REVENUE

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

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

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

5. TAX

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

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

6. (LOSS)/PROFIT FOR THE PERIOD

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

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

7. DIVIDENDS

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

8. (LOSS)/EARNINGS PER SHARE

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

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

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

9. ACCOUNTS, BILLS AND OTHER RECEIVABLES

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

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

10. ACCOUNTS AND BILLS PAYABLE

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

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

11. CONTINGENT LIABILITIES

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

12. BANKING AND OTHER BORROWING FACILITIES

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

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

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

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

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

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

DIVIDENDS

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

BUSINESS REVIEW AND PROSPECTS

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

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

The Branded Distribution Division

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

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

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

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

The Electronics Manufacturing Services Division

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

At the date of the statement of financial position, the Group's gearing ratio was 52% which is calculated based on the Group's net borrowings of HK\$1,087 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK\$2,098 million.

CHARGES ON GROUP ASSETS

As at 30 June 2009, certain of the Group's assets with a total net book value of approximately HK\$1,500 million were pledged to banks to secure banking facilities granted to the Group. Details are set out in note 12 to the condensed interim financial statements.

CONTINGENT LIABILITIES

The liquidators of Akai Holdings Limited have brought an action against twenty defendants which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company. The details of the action and the contingent liabilities of the Group are set out in note 11 to the condensed interim financial statements.

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

CORPORATE GOVERNANCE

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

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

On behalf of the Board
Christopher W. Ho
Chairman

Hong Kong, 22 September 2009

As at the date of this announcement, the Board of the Company comprises: Mr. Christopher W. Ho, Mr. Adrian C. C. Ma, Mrs. Christine L. S. Asprey and Mr. Paul K. F. Law as executive directors; Mr. Michael A. B. Binney as non-executive director; and Mr. Herbert H. K. Tsoi, Mr. Henry C. S. Chong and Mr. Martin I. Wright as independent non-executive directors.