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KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED
（泰盛實業集團有限公司*）

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS 2009

INTERIM RESULTS

The board of directors (the “Directors” or the “Board”) of Karce International Holdings Company Limited (“the Company”) is pleased to present the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2009, together with the unaudited comparative figures of the corresponding period in the 2008 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3*	**22,480**	32,324
Cost of good sold		**(27,651)**	(36,773)
Gross loss		**(5,171)**	(4,449)
Other revenue	*3*	**4**	48
Other gains and losses	*4*	**(33,054)**	–
Selling and distribution costs		**(312)**	(817)
Administrative expenses		**(8,859)**	(11,138)
Impairment loss recognised in respect of available-for-sale investment		**(2,838)**	(22,581)
Finance costs	*6*	**(18,047)**	(190)
Loss before taxation	*5*	**(68,277)**	(39,127)
Income tax expenses	*7*	**1,649**	(338)
Loss for the period from continuing operations		**(66,628)**	(39,465)
Discontinued operations			
Profit for the period from discontinued operations	*8*	**97,075**	759
Profit/(loss) for the period		**30,447**	(38,706)
Attributable to Equity holders of the Company		**30,447**	(38,706)
Earnings/(loss) per share	*9*		
From continuing and discontinued operations			
Basic		**4.40**	(6.07)
Diluted		**2.92**	(6.07)
(HK cents per share)			
From continuing operations			
Basic		**(9.62)**	(6.19)
Diluted		**(9.62)**	(6.19)
(HK cents per share)			

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	**Six months ended 30 June**	
		2009	2008
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Profit/(loss) for the period		**30,447**	(38,706)
Exchange difference on translation of financial statements of foreign operations			
– continuing operations		**(115)**	3,545
– discontinued operations		**(1,474)**	14,405
		(1,589)	17,950
Other comprehensive income for the period			
– continuing operations		**–**	–
– discontinued operations		**(34,516)**	–
		(34,516)	–
Total comprehensive income for the period		**(5,658)**	(20,756)
Attributable to:			
Equity holders of the Company		**(5,658)**	(20,756)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	*11*	**51,481**	53,676
Prepaid lease payments		**3,476**	3,526
Available-for-sale investment		**5,403**	8,241
Club debenture		**600**	600
Intangible assets	*12*	**668,000**	–
Goodwill	*19*	**76,754**	–
		805,714	66,043
Current Assets			
Inventories		**7,596**	7,074
Trade and bills receivables	*13*	**12,688**	29,782
Prepayments, deposits and other receivables	*14*	**7,560**	28,899
Bank balances and cash		**3,664**	1,609
		31,508	67,364
Assets classified as held for sale		**–**	382,490
		31,508	449,854
Current Liabilities			
Trade and bills payables	*15*	**11,677**	22,139
Other payables and accruals	*16*	**31,550**	30,815
Amount due to a shareholder		**15,500**	15,500
Tax liabilities		**20**	20
Obligation under finance lease – due within one year		**398**	–
		59,145	68,474
Liabilities associated with assets classified as held for sale		**–**	190,971
		59,145	259,445
Net Current (Liabilities)/Assets		**(27,637)**	190,409
Total Assets less Current Liabilities		**778,077**	256,452
Non-current Liabilities			
Obligation under finance lease – due after on year		**604**	–
Convertible bonds	*17*	**165,759**	–
Deferred tax liabilities	*18*	**168,932**	3,182
Promissory notes	*19*	**69,772**	–
		405,067	3,182
Net Assets		**373,010**	253,270
Equity attributable to equity holders of the Company			
Capital and Reserves			
Share capital		**70,236**	65,236
Reserves		**302,774**	188,034
		373,010	253,270

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 – unaudited

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Special reserve *HK$'000*	Statutory reserves *HK$'000*	Asset revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profit *HK$'000*	Total *HK$'000*
At 1 January 2008	54,436	82,364	35,597	19,487	6,553	51,949	29,755	1,564	93,326	375,031
Exchange difference on translation of foreign operations	–	–	–	–	–	–	17,950	–	–	17,950
Net income recognised directly in equity	–	–	–	–	–	–	17,950	–	–	17,950
Loss for the period	–	–	–	–	–	–	–	–	(38,706)	(38,706)
Total comprehensive income for the period	–	–	–	–	–	–	17,950	–	(38,706)	(20,756)
Issue of shares	10,800	21,600	–	–	–	–	–	–	–	32,400
Share issue expenses	–	(1,089)	–	–	–	–	–	–	–	(1,089)
At 30 June 2008	65,236	102,875	35,597	19,487	6,553	51,949	47,705	1,564	54,620	385,586

For the six months ended 30 June 2009 – unaudited

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital reserve	Special reserve	Statutory reserves	Asset revaluation reserve	Investment revaluation reserve	Exchange reserve	Capital redemption reserve	Convertible bonds reserve	Retained profit	Discon-tinued operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	**65,236**	**102,875**	**26,084**	**3,557**	**6,553**	**7,656**	**(436)**	**10,627**	**1,564**	**–**	**(72,413)**	**101,967**	**253,270**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(115)**	**–**	**–**	**–**	**(1,474)**	**(1,589)**
Net income recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(115)**	**–**	**–**	**–**	**(1,474)**	**(1,589)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,447**	**–**	**30,447**
Transfer to profit or loss on disposal of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65,977**	**(100,493)**	**(34,516)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(115)**	**–**	**–**	**96,424**	**(101,967)**	**(5,658)**
Issue of shares	5,000	–	–	–	–	–	–	–	–	–	–	–	5,000
Equity component of convertible bonds	–	–	–	–	–	–	–	–	–	144,189	–	–	144,189
Deferred tax arising from issue of convertible bonds	–	–	–	–	–	–	–	–	–	(23,791)	–	–	(23,791)
At 30 June 2009	**70,236**	**102,875**	**26,084**	**3,557**	**6,553**	**7,656**	**(436)**	**10,512**	**1,564**	**120,398**	**24,011**	**–**	**373,010**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash generated from/(used in) operations	**49,153**	(30,447)
Tax refund/(paid)	**7**	(215)
Net cash generated from/(used in) operating activities	**49,160**	(30,662)
Net cash generated from/(used in) investing activities	**200,455**	(1,832)
Net cash (used in)/generated from financing activities	**(247,445)**	26,207
Net increase/(decrease) in cash and cash equivalents	**2,170**	(6,287)
Cash and cash equivalent at 1 January	**1,609**	53,179
Effect of foreign exchange rate changes	**(115)**	638
Cash and cash equivalent at 30 June		
Bank balances and cash	**3,664**	47,530

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Company is an investment holding company where the Group is principally engaged in the manufacture and sale of conductive silicon rubber keypads, while the Group has disposed of its operations in electronic products and printed circuit boards, with production facilities in the People's Republic of China. The consolidated financial statements are presented in Hong Kong dollars, which are the functional currency of the Company.

The condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements of the Group for the year ended 31 December 2008, except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period's financial statements:

HKFRSs (Amendments)	Improvement to HKFRSs
HKFRS 1 and 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: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-lnt 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The application of HKFRS 8 *Operating Segments* resulted in a redesignation of the Group's reportable segments (Note 2), but has had no impact on the reported results or financial position of the Group.

The application of HKAS 1 (Revised) *Presentation of Financial Statements* introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

The directors of the Company anticipate that the application of the other new HKFRSs will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 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 directors in order to allocate resources to the segment and to assess its 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 rewards approach, with the entity's "system of internal financing reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

The Group's reportable segments under HKFRS 8 do not differ materially from those previously disclosed under HKAS 14. In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's operating divisions (i.e. conductive silicon rubber keypads, electronic products and printed circuits boards). The directors of the Company considered that the current segment presentation provides sufficient and appropriate information to the Group's key management for the allocation of resources to the segment and to assess its performance, as the current presentation has already focused specifically on the category of customers for different type of goods. The Group's reportable segments under HKFRS 8 are therefore as follows:

- Conductive silicon rubber keypads
- Electronic products – disposed of during the six months ended 30 June 2009 (Note 20)
- Printed circuit boards – disposed of during the year ended 31 December 2008
- LCoS television – acquired during the six months ended 30 June 2009 (Note 19)

The following is an analysis of the Group’s revenue and results by operating segments for the periods under review.

Six months ended 30 June 2009

	Continuing operations				Discontinued operations				
	Conductive silicon rubber keypads	LCoS television	Eliminations	Total	Electronic products	Printed circuit boards	Eliminations	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue									
External sales	22,480	–	–	22,480	91,287	–	–	91,287	113,767
Inter-segment sales	1,442	–	(1,442)	–	180	–	(180)	–	–
Total revenue	23,922	–	(1,442)	22,480	91,467	–	(180)	91,287	113,767
Operating profit/(loss)	(8,614)	(629)	(1,262)	(10,505)	5,644	–	1,262	6,906	
Exclude – realised gain on foreign exchange forward contracts	–	–	–	–	(564)	–	–	(564)	
Segment result	(8,614)	(629)	(1,262)	(10,505)	5,080	–	1,262	6,342	(4,163)
Unallocated corporate expenses									
Operating loss of other segment				(3,833)				–	(3,833)
Realised gain on foreign exchange forward contracts				–				564	564
Gain on disposal of subsidiaries				–				90,888	90,888
Gain on waiver of promissory notes				28,297				–	28,297
Loss on redemption of promissory notes				(61,351)				–	(61,351)
Finance costs				(18,047)				(719)	(18,766)
Impairment loss recognised in respect of available-for-sale investment				(2,838)				–	(2,838)
(Loss)/profit before taxation				(68,277)				97,075	28,798
Income tax expenses				1,649				–	1,649
(Loss)/profit for the period				(66,628)				97,075	30,447

Six months ended 30 June 2008

	Continuing operation			Discontinued operations				
	Conductive silicon rubber keypads	Eliminations	Total	Electronic products	Printed circuit boards	Eliminations	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
External sales	32,324	–	32,324	301,467	42,196	–	343,663	375,987
Inter-segment sales	9,555	(9,555)	–	2,052	14,068	(16,120)	–	–
Total revenue	41,879	(9,555)	32,324	303,519	56,264	(16,120)	343,663	375,987
Operating profit/(loss)	(4,446)	(7,663)	(12,109)	5,270	(8,846)	7,663	4,087	
Exclude – realised gain on foreign exchange forward contracts	4	–	4	(785)	–	–	(785)	
Segment result	(4,442)	(7,663)	(12,105)	4,485	(8,846)	7,663	3,302	(8,803)
Unallocated corporate expenses								
Operating loss of other segment			(4,247)				–	(4,247)
Realised gain on foreign exchange forward contracts			(4)				785	781
Finance costs			(190)				(2,261)	(2,451)
Impairment loss recognised in respect of available-for-sale investment			(22,581)				–	(22,581)
(Loss)/profit before taxation			(39,127)				1,826	(37,301)
Income tax expenses			(338)				(1,067)	(1,405)
(Loss)/profit for the period			(39,465)				759	(38,706)

3. REVENUE AND OTHER REVENUE

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of other revenue is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**4**	48	**–**	276	**4**	324
Gain on fair value change on derivative financial instruments	**–**	–	**564**	785	**564**	785
Gain on disposal of property, plant and equipment	**–**	–	**–**	278	**–**	278
	4	48	**564**	1,339	**568**	1,387

4. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Gain on waiver of promissory notes	**28,297**	–	**–**	–	**28,297**	–
Loss on redemption of promissory notes *(note 1)*	**(61,351)**	–	**–**	–	**(61,351)**	–
Gain on disposal of subsidiaries *(Note 20)*	**–**	–	**90,888**	–	**90,888**	–
	(33,054)	–	**90,888**	–	**57,834**	–

Note:

(1) The loss on redemption of promissory notes is derived from the difference between the principal amount of promissory notes of HK$250,000,000 and carrying amount of promissory notes of approximately HK$188,649,000. Please also refer to Note 19 for details of promissory notes.

5. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation has been arrived at after charging:						
Cost of inventories recognised as expense	**10,731**	15,300	**57,100**	232,300	**67,831**	247,600
Loss on disposal of property, plant and equipment	**287**	–	**–**	–	**287**	–
Depreciation and amortisation						
– Properties, plant and equipment	**4,554**	4,344	**3,707**	15,258	**8,261**	19,602
– Prepaid lease payments	**49**	48	**62**	198	**111**	246
Impairment loss regnised in respect of trade receivables	**200**	142	**–**	–	**200**	142
Allowance for obsolete and slowing moving inventories	**405**	996	**–**	–	**405**	996
Operating lease rentals	**1,070**	75	**55**	410	**1,125**	485
Staff costs	**9,263**	13,763	**15,009**	70,058	**24,272**	83,821
Impairment loss recognised in respect of available-for-sale investment	**2,838**	–	**–**	–	**2,838**	–
Loss on fair value change of derivative financial instruments	**–**	4	**–**		**–**	4

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Imputed interests on:						
Convertible bonds	**9,948**	–	**–**	–	**9,948**	–
Promissory notes	**8,032**	–	**–**	–	**8,032**	–
Interests on:						
Bank borrowings wholly repayable within five years	**30**	190	**696**	1,562	**726**	1,752
Obligation under finance lease	**37**	–	**23**	699	**60**	699
	18,047	190	**719**	2,261	**18,766**	2,451

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Under the relevant prevailing PRC income tax law, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (30 June 2008: 25%) on their respective taxable income.

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
Hong Kong Profits Tax	**(14)**	338	**–**	–	**(14)**	338
PRC enterprise income tax	**6**	–	**–**	1,067	**6**	1,067
Profit tax (Refund)	**(8)**	338	**–**	1,067	**(8)**	1,405
Deferred taxation	**(1,641)**	–			**(1,641)**	–
Tax (credit)/charge for the period	**(1,649)**	338	**–**	1,067	**(1,649)**	1,405

8. DISCONTINUED OPERATIONS

On 26 February 2009, the Group disposed of its 100% equity interests in Xinyu Electronics Limited, Joyham Jade Limited, Sabic Electronic Limited and Habermann Limited, which carried out all of its electronic products operation. For details, please refer to Note 20.

The profit for the period from the discontinued operations is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit of electronic products operation for the period	**6,187**	10,015
Loss of printed circuit boards operation for the period	**–**	(9,256)
Gain on disposal of electronic products operation *(Note 20)*	**90,888**	–
	97,075	759

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holder of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share	**30,447**	(38,706)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**9,948**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**40,395**	(38,706)

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**692,411**	637,602
Effect of dilutive potential ordinary shares:		
Convertible bonds	**691,989**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**1,384,400**	637,602

There was no diluting event existed during the six months ended 30 June 2008.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holder of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Loss for the purpose of basic loss per share	**(66,628)**	(39,465)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**9,948**	–
Loss for the purpose of diluted loss per share	**(56,680)**	(39,465)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted loss per share from continuing operations for the six months ended 30 June 2009 was the same as the basic loss per share. The Company's outstanding convertible bonds were not included in the calculation of diluted loss per share from continuing operations because the effect of the Company's outstanding convertible bonds was anti-dilutive.

There was no diluting event existed during the six months ended 30 June 2008.

From discontinued operations

Basic and diluted earnings per share for the six months ended 30 June 2009 for the discontinued operations is HK14.02 cents per share and HK7.01 cents per share respectively. The numerators are based on the profit for the six months ended 30 June 2009 from discontinued operations of approximately HK$97,075,000, while the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Basic and diluted earnings per share for the six months ended 30 June 2008 for the discontinued operations is HK0.12 cents per share. The numerators are based on the profit for the six months ended 30 June 2008 from discontinued operations of approximately HK$759,000 and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share. There was no diluting event existed during the six months ended 30 June 2008.

10. DIVIDEND

On 25 September 2009, no interim dividend was declared by the Company for the six months ended 30 June 2009.

11. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

There was no material acquisition of property, plant and equipment during the period. There were disposal of property, plant and equipment of approximately HK$137,354,000 through disposal of subsidiaries (Note 20). Property, plant and equipment of approximately HK$1,268,000 were acquired through acquisition of subsidiaries during the period (Note 19).

As at 30 June 2009, property, plant & equipment with carrying amount of approximately HK$1,108,000 were held under a finance lease (as at 31 December 2008: HK$1,307,000).

12. INTANGIBLE ASSETS

The intangible assets comprise of patents and/or patents application in the PRC, Taiwan and the United States relating to micro-display elements and manufacturing of LCoS televisions and related components.

The cost of the patents is amortised on a straight-line basis over the estimated remaining useful life of ten years. No amortisation is made for the six months ended 30 June 2009 since the LCoS television business has not yet commenced.

13. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 60 days to its trade customers. An aged analysis of trade and bills receivables, net of provision for impairment loss recognised in respect of trade receivables, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Not yet due	**6,884**	17,630
Overdue within 30 days	**4,726**	6,151
Overdue for 31-60 days	**1,078**	3,022
Overdue for 61-90 days	**–**	2,877
Overdue for more than 90 days	**–**	102
	12,688	29,782

14. Prepayments, Deposits and Other Receivables

	2009	2008
	HK$'000	*HK$'000*
Prepayments, deposits and other receivables	**8,028**	29,367
Less: Impairment loss recognised in respect of other receivables	**(566)**	(566)
	7,462	28,801
Prepaid lease payments	**98**	98
	7,560	28,899

15. TRADE AND BILLS PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Not yet due or overdue within 30 days	**5,151**	12,886
Overdue for 31-60 days	**1,598**	3,376
Overdue for 61-90 days	**1,098**	2,066
Overdue for more than 90 days	**3,830**	3,811
	11,677	22,139

16. OTHER PAYABLES AND ACCRUALS

	2009	2008
	HK$'000	*HK$'000*
Others payables and accruals	**31,550**	59,049
Reclassified as a disposal group of assets held for sales	**–**	(28,234)
	31,550	30,815

17. CONVERTIBLE BONDS

On 15 January 2009, the Company issued the Tranche 1 Bonds due on 14 January 2014 with a principal amount of HK$300,000,000, which is interest free. The Tranche 1 Bonds are issued as part of the consideration for acquisition of Pacific Force. The Tranche 1 Bonds are convertible into fully paid ordinary shares with a par value of HK$0.1 each of the Company at an initial conversion price of HK$0.4 per share, subject to adjustment. The effective interest rate is 14%.

The convertible bonds contain liability and equity components. The equity component is presented in equity heading "convertible bonds reserve".

The fair value of the liability component of the convertible bonds at the issuance date was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

The convertible bonds issued during the period have been split as to the liability and equity components as follows:

	Tranche 1 Bonds *HK$'000*
Fair value of convertible bonds issued	300,000
Liability component	(155,811)
Equity component	144,189

The movement of the liability component of the convertible bonds for the period is set out below:

	HK$'000
At 1 January 2009	–
Liability component at the date of issue	155,811
Interest expenses charged	9,948
At 30 June 2009	165,759

18. DEFERRED TAX LIABILITIES

The major deferred tax liabilities recognised by the Group are derived from the temporary differences between the tax base amounts and carrying amounts of properties of approximately HK$3,182,000, convertible bonds of approximately HK$22,150,000 and intangible assets of approximately HK$143,600,000.

19. ACQUISITION OF SUBSIDIARIES

On 15 January 2009, the Group acquired the entire issued share capital of Pacific Choice Holdings Limited ("Pacific Choice") and the loans outstanding as at the completion of the acquisition due to China Eagle Development Limited ("China Eagle") and Fairtime International Limited ("Fairtime") for a total consideration of approximately HK$603,686,000.

Under the acquisition agreement, the consideration shall be settled by (i) as to HK$25,000,000 in cash; (ii) as to HK$255,000,000 by the issue of the Tranche 1 Bonds to China Eagle; (iii) as to HK$45,000,000 by the issue of the Tranche 1 Bonds to Fairtime; (iv) as to HK$375,000,000 by the issue of promissory note to China Eagle; and (v) as to HK$2,000,000,000 by the issue of the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds to China Eagle and Fairtime in their respective equity interest in Pacific Choice.

The amount of goodwill arising as a result of the acquisition was approximately HK$76,754,000.

	Acquiree's carrying amounts *HK$'000*	Fair value adjustment *HK$'000*	Fair values *HK$'000*
Net assets acquired:			
Intangible assets	93,600	574,400	668,000
Property, plant and equipment	1,268	–	1,268
Inventories	2,730	–	2,730
Deposits and prepayments	1,975	–	1,975
Bank balances and cash	46	–	46
Accruals and other payables	(3,487)	–	(3,487)
Deferred tax liabilities	–	(143,600)	(143,600)
100% equity interest of Pacific Choice	96,132	430,800	526,932
Goodwill			76,754
			603,686

	HK$'000
Total consideration satisfied by:	
Cash consideration	25,000
Fair value of convertible bonds	300,000
Fair value of promissory notes *(note ii)*	278,686
	603,686

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	(25,000)
Bank balances and cash acquired	46
	(24,954)

Notes:

(i) The contracted value of the acquisition was HK$2,700,000,000. Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as an expense in the period.

(ii) The promissory notes were issued as part of the consideration for the acquisition of the entire issued share capital of Pacific Choice Holdings Limited during the six months ended 30 June 2009. The promissory notes are unsecured, interest-free and matures on the second anniversary from the issue date of the promissory notes (i.e. 14 January 2011). The effective interest rate is 16%.

(iii) The fair values of the convertible bonds and promissory notes issued have been arrived at on the basis of a valuation carried out on the completion date of the acquisition by B.I. Appraisals Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to discounted cash flow method.

(iv) Goodwill arose in the business combination because the acquisition included the revenue growth and future market development of Pacific Choice. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(v) Pursuant to the acquisition agreement, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds with total principal amount of HK$2,000,000,000 would be issued by the Company subject to certain conditions. For details of contingent consideration, please refer to the Company's circular dated 28 November 2008.

(vi) Upon the completion of acquisition of Pacific Choice Group, the TMDC Sale Machineries (as defined in the Company's circular dated 28 November 2008) has not been released and the transfer of the ownership of the TMDC Sale Machineries from TMDC to Pacific Choice Group has not been completed.

China Eagle and Fairtime procure the transfer of the ownership of the TMDC Sale Machineries to be completed within twelve months from the date of completion of acquisition. Once the transfer of the ownership of the TMDC Sale Machineries is completed, the fair values of the TMDC Sale Machineries would be recorded in property, plant and equipment, and the amount of goodwill arose from the acquisition of Pacific Choice Group would also be adjusted.

In the event that the transfer of the ownership of the TMDC Sale Machineries does not take place within twelve months from the date of completion of acquisition, the acquisition consideration would be reduced by US$4,000,000 (approximately HK$31,000,000).

For details, please refer to the Company's announcement dated 15 January 2009.

20. DISPOSAL OF SUBSIDIARIES

On 26 February 2009, the Group disposed of its 100% equity interests in Xinyu Electronics Limited, Joyham Jade Limited, Sabic Electronic Limited and Habermann Limited ("Four BVI Companies") and the net assets at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Investment properties	77,402
Property plant and equipment	137,354
Prepaid lease payments	14,304
Inventories	71,197
Trade and bills receivables	53,409
Prepayments, deposits and other receivables	2,606
Bank balances and cash	25,231
Trade and bills payables	(72,396)
Other payables and accruals	(21,123)
Derivative financial instruments	(204)
Tax liabilities	(21,980)
Obligations under finance leases	(650)
Bank loans	(54,170)
Deferred tax liabilities	(17,352)
	193,628
Release of exchange reserve	(34,516)
Gain on disposal of subsidiaries *(Note 8)*	90,888
Total consideration, satisfied by cash	250,000
Net cash inflow arising on disposal:	
Cash consideration	250,000
Bank balances and cash disposed of	(25,231)
	224,769

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events up to the reporting date of interim report.

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2009.

23. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

The Group has been facing the most challenging environment in recent times with growth slowing in most markets and many of world's major economies in recession. The financial crisis originated in the United States has led to global economic activity slowing sharply in the last quarter of 2008 and through the first half year of 2009 and this has already affected Hong Kong.

As a result of the decrease in demand and the increased price sensitivity from customers, the Group recorded revenue from continuing operations (i.e. the conductive silicon rubber keypads business) of approximately HK$22,480,000 for the six months ended 30 June 2009, representing a decrease of approximately 30.5 per cent. as compared with approximately HK$32,324,000 of the corresponding period in 2008.

Adding to these is the fact that some of the production costs such as Depreciation and Amortization on production facilities are fixed in nature, the Group's gross margin from continuing operations therefore dropped from approximately HK$4,449,000 loss in the six months ended 30 June 2008 to approximately HK$5,171,000 loss of the corresponding period in 2009.

In addition, the Directors made impairment losses on available-for-sale investment of approximately HK$2,838,000 for the six month ended 30 June 2009 (six months ended 30 June 2008: approximately HK$22,581,000) because of the downturn of the stock market and the unsatisfactory performance of the invested corporations.

On 23 May 2008, the Group announced the disposal of the electronic products segment. The disposal was completed on 26 February 2009, resulting in a gain on disposal of approximately HK$90,888,000.

Accordingly, the Group recorded a consolidated net profit attributable to shareholders of approximately HK$30,447,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: loss of approximately HK$38,706,000).

Basic earnings per share from both continuing and discontinued operations was approximately HK4.40 cents for the six months ended 30 June 2009 (six months ended 30 June 2008: loss per share of HK6.14 cents)

Conductive Silicon Rubber Keypads

As a result of the decrease in demand and the increased price sensitivity from customers, the Group recorded revenue from the conductive silicon rubber keypads business of approximately HK$22,480,000 for the six months ended 30 June 2009, representing a decrease of approximately 30.5 per cent. as compared with approximately HK$32,324,000 of the corresponding period in 2008.

Accordingly, this segment results dropped from approximately HK$4,442,000 loss for the six months ended 2008 to approximately HK$8,614,000 loss for the six month ended 2009, despite vigorous efforts in containing costs have been made and operational efficiency has been improved.

In fact, conductive silicon rubber keypads are crucial components in the production of electronic calculators, electronic organizers, mobile phones and audio visual products.

Electronic products

On 23 May 2008, the Group announced the disposal of the electronic products segment where the disposal was completed on 26 February 2009. The financial results of the electronic products segment disposed for the period from 1 January 2009 to 26 February 2009 have been presented as the discontinued operations. (Note: Figures for previous year are relating to period from 1 January 2008 to June 2008)

Printed circuit boards

The printed circuit board segment was disposed of on 30 September 2008. Figures for previous year are relating to period from 1 January 2008 to June 2008.

Available-for-sale investment

Following the completion of disposal of the printed circuit board segment, the group became a shareholder of KFE Japan on 1 October 2008 by subscribing for the KFE Japan Subscription Shares, which is listed on the Nagoya Stock Exchange. The group had been selling printed circuit board to KFE Japan which was principally engaged in the development, trading and manufacture of electronic products in Japan. The value of KFE Japan Subscription Shares is accounted for as available-for-sale investment.

The Group's available-for-sale investment is measured at fair value at each balance sheet date, which expose the Group to equity security price risk. As such, the Directors regularly reviews the value of the available-for-sale investment and will consider adequate impairment to be made when necessary.

The value of KFE Japan's shares has been decreasing because of global economic tsunami. The value of the investment in Hong Kong dollars as at 30 June 2009 is HK$5,403,000 and an impairment losses of approximately HK$2,838,000 was recorded for the six month ended 30 June 2009.

The impairment loss of approximately HK$22,581,000 for the six months ended 30 June 2008 was relating to Ascalade Communications Inc. ("Ascalade Inc."), a corporation incorporated pursuant to the laws of the Province of British Columbia and whose securities were once listed on the Toronto Stock Exchange, with the stock symbol "ACG". Ascalade Inc sought a protection from creditors under the Companies' Creditors Arrangement on 3 March 2008 and was delisted on 3 December 2008. As a result, the value of Ascalade Inc's shares held by the group was completely written-off in December 2008 where Ascalade Inc got de-listed eventually.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK$373,010,000 as at 30 June 2009 from approximately HK$253,270,000 as at 31 December 2008. As at 30 June 2009, the short term and long term interest bearing debts to shareholders' equity was approximately 63.4 per cent. (as at 31 December 2008: approximately 22.7 per cent.).

As announced by the Group on 20 January 2009, the Group entered into Subscription Agreements with each of the subscribers for the subscription of 50,000,000 new shares for a total consideration of HK$5,000,000 at the Subscription Price of HK$0.10 per Subscription Share.

The Subscription Shares of 50,000,000 new shares represent about 7.66% of the then existing issued share capital of the Group and about 7.12% of the enlarged share capital of the Group immediately after the Subscription. The Subscription Shares were issued under the General Mandate and rank equally among themselves and with the then existing shares.

The Directors believe that the above fund raising exercise provides an opportunity to broaden the shareholder base and strengthens its capital base and financial position for its future business developments. Further, the Group considers that the Subscription is currently a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved. The Group used the net proceeds of the Subscription as general working capital of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 30 June 2009, the Group's fixed deposits and cash balances increased to approximately HK$3,664,000 (as at 31 December 2008: approximately HK$1,609,000).

As at 30 June 2009, the current ratio was approximately 0.53 (as at 31 December 2008: approximately 1.7) based on current assets of approximately HK$31,508,000 and current liabilities of approximately HK$59,145,000 and the quick ratio was approximately 0.88 (2008: approximately 1.7).

The Directors considered that the Group shall have sufficient financial resources to meet its future expansion plan and working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

MATERIAL ACQUISITION AND DISPOSALS

On 23 May 2008, the Group announced the investment in the production and distribution LCoS Television through an acquisition. The acquisition was completed on 15 January 2009 (Please refer to Note 19).

Also on 23 May 2008, the Group announced the disposal of the electronic products segment where the disposal was completed on 26 February 2009. The financial results of the electronic products segment disposed for the period from 1 January 2009 to 26 February 2009 have been presented as the discontinued operations. (Note: Figures for previous year are relating to period from 1 January 2008 to June 2008)

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenues and expenditure are denominated in Hong Kong dollars, the United States dollars and the Renminbi. It is the Group's policy to adopt a conservative approach on foreign exchange exposure management. However, the Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required. The Group generally finances its operation with internal resources and bank facilities provided by the banks in Hong Kong.

As a measure of additional prudence, the Group used different low-risk derivative instruments to manage its exposure to foreign currency risks on the receivables and payables.

There are no outstanding derivative instruments as at 30 June 2009. The fair value of the Group's outstanding derivative instruments as at 31 December 2008 represents the net amount the Group would receive/pay if these contracts were closed out at 31 December 2008. The fair value of these outstanding derivatives has been recognised as assets or liabilities

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the headquarter of the Group in Hong Kong.

Apart from the above, most of the Group's assets and liabilities, revenues and expenditure are either denominated in Hong Kong dollars, the United States dollars and the Renminbi. Therefore, the Directors consider the exposure risk to foreign currency fluctuations is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Group employed approximately 740 full time employees, out of which approximately 5 were based in Hong Kong and approximately 735 were based in the PRC. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Employees may also participate in the share option scheme of the Group.

FUTURE PLANS AND PROSPECTS

In the first half of 2009, the impact of the decline of the global economy adversely affected the Group's businesses. However, with the support of the Central Government's initiative, the Mainland economy has been progressively improved and the impact of external economic factors affecting Hong Kong should be mitigated to certain extent.

The global economy has not regained its strength, but the worst situation has been passed. In the current difficult economic environment, the Group has focused on maintaining strict operational and financial discipline to successfully execute its business strategy. The Group will continue to consolidate existing business and enhance productivity and efficiency for conductive silicon rubber keypads products segment.

Further to the acquisition of LCoS television business, as explained in the Group's announcement dated 20 April 2009, the pledge created on the LCoS's TMDC sale machineries has not been discharged, the implementation of the production and sales plan of the Suzhou Plant and the LCoS has been delayed.

The Group has been and will be monitoring the above situation closely and taking all necessary actions to procure the trial production at the Suzhou Plant to commence as soon as practicable, so that the commercial production and operations of the LCoS television will be commenced as soon as possible.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Group has established a formal and transparent procedure to protect the interests of the shareholders of the Group. The Group regularly reviews the corporate governance procedures and developments of the Group. The Group applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the period under review, except that:

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Group should be clearly established and set out in writing. The roles of the chairman and the CEO of the Group was not separated and was performed by the same individual, Mr. Tong Shek Lun throughout 2008. Mr. Chim Kim Lun, Ricky succeeded the roles of chairman and CEO following Mr. Tong's resignation on 2 March 2009. Mr. Sun Ying Chung further succeeded the roles of chairman and CEO following Mr. Chim's resignation on 16 April 2009. The

Directors meet regularly to consider major matters affecting the operations of the Group. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout 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 the internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Group.

PUBLICATION OF OTHER FINANCIAL INFORMATION

Other financial information containing all the information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange website in due course.

As at the date of this notice, the board of Directors consists of two executive Directors, Mr. Sun Ying Chung and Mr. Chan Sung Wai; two non-executive Directors, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey; and three independent non-executive Directors, Mr. Wan Hon Keung, Mr. Chan Siu Wing, Raymond and Mr. Lum Pak Sum.

On behalf of the board of Directors
Sun Ying Chung
Chairman and Managing Director

Hong Kong
25 September 2009