



2011

南海控股有限公司

INTERIM REPORT 二零一一年度 中期報告



南海控股

NAN HAI CORPORATION LIMITED

Stock Code: 680 股份代號: 680

CORPORATE INFORMATION

DIRECTORS

Executive

Mr. YU Pun Hoi (*Chairman*)

Ms. CHEN Dan

Ms. LIU Rong

Mr. WANG Gang

Non-executive

Mr. QIN Tian Xiang

Mr. LAM Bing Kwan

Independent Non-executive

Mr. HUANG Yaowen

Prof. JIANG Ping

Mr. LAU Yip Leung

COMPANY SECRETARY

Mr. WATT Ka Po James

AUDITOR

BDO Limited

Certified Public Accountants

Hong Kong

BERMUDA LEGAL ADVISERS

Appleby

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 15-18, 36/F.,
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

680

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

<http://www.nanhaicorp.com>

INTERIM RESULTS

The directors of Nan Hai Corporation Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with the comparative figures for 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Revenue/Turnover	4 (a)	1,237,248	1,069,919
Cost of sales and services provided		(482,756)	(451,996)
Gross profit		754,492	617,923
Other operating income	4 (b)	51,066	25,007
Selling and marketing expenses		(281,645)	(183,158)
Administrative expenses		(294,474)	(188,833)
Other operating expenses		(179,173)	(246,536)
Finance costs	5	(148,371)	(139,264)
Share of results of associates		(491)	(17)
Loss before income tax	6	(98,596)	(114,878)
Income tax expense	7	(64,760)	(63,113)
Loss for the period		(163,356)	(177,991)
Loss for the period attributable to:			
Owners of the Company		(120,661)	(133,821)
Non-controlling interests		(42,695)	(44,170)
Loss for the period		(163,356)	(177,991)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the period	8		
– Basic		(0.176)	(0.195)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Loss for the period	(163,356)	(177,991)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	89,202	56,078
Other comprehensive income for the period, including reclassification adjustments, and net of tax	89,202	56,078
Total comprehensive income for the period	(74,154)	(121,913)
Total comprehensive income attributable to:		
Owners of the Company	(31,554)	(79,671)
Non-controlling interests	(42,600)	(42,242)
Total comprehensive income for the period	(74,154)	(121,913)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	1,162,856	848,545
Prepaid land lease payments under operating leases		14,831	14,713
Interest in associates		110,520	108,802
Available-for-sale financial assets		476	473
Deposits and other receivables		239,787	248,921
Intangible assets		472,413	470,123
Deferred tax assets		64,109	62,831
Pledged bank deposits		21,182	–
		2,086,174	1,754,408
Current assets			
Inventories		7,641,712	7,394,682
Financial assets at fair value through profit or loss		2,662	212,506
Trade receivables	10	88,900	137,847
Deposits, prepayments and other receivables		557,829	542,538
Amount due from an associate		3,921	5,153
Pledged bank deposits		242,648	37,446
Cash and cash equivalents		312,085	397,405
		8,849,757	8,727,577
Non-current assets classified as held for sale		–	75,225
		8,849,757	8,802,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2011

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
Current liabilities			
Trade payables	11	297,272	345,475
Other payables and accruals		710,544	795,434
Deferred revenue		67,088	64,030
Provision for tax		630,995	569,697
Amount due to a director		117,148	107,046
Amounts due to shareholders		5,006	5,006
Amount due to a minority shareholder		546	495
Amount due to an associate		5,505	5,505
Bank and other borrowings, secured	12	902,028	280,137
Finance lease liabilities		9,179	16
Finance from third parties		2,538,215	2,834,233
		5,283,526	5,007,074
Net current assets		3,566,231	3,795,728
Total assets less current liabilities		5,652,405	5,550,136
Non-current liabilities			
Bank and other borrowings, secured	12	700,204	795,478
Finance lease liabilities		256,128	34
Deferred tax liabilities		239,175	234,404
		1,195,507	1,029,916
Net assets		4,456,898	4,520,220
EQUITY			
Share capital	13	686,455	686,455
Reserves		3,023,893	3,053,736
Equity attributable to the Company's owners		3,710,348	3,740,191
Non-controlling interests		746,550	780,029
Total equity		4,456,898	4,520,220

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net cash (used in)/generated from operating activities	(94,110)	104,758
Net cash used in investing activities	(264,187)	(157,375)
Net cash generated from/(used in) financing activities	266,652	(206,041)
Net decrease in cash and cash equivalents	(91,645)	(258,658)
Cash and cash equivalents at 1 January	397,405	610,341
Effect of foreign exchange rate changes, on cash held	6,325	4,097
Cash and cash equivalents at 30 June	312,085	355,780
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	312,085	355,780

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2011

Equity attributable to the Company's owners										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2010	686,450	965,881	1,911,423	12,836	3,692	327,286	47,739	3,955,307	823,549	4,778,856
Issue of ordinary shares upon exercise of share options	5	30	13	-	(13)	-	-	35	-	35
Equity-settled share-based compensation expenses	-	-	-	-	892	-	-	892	-	892
Transactions with owners	5	30	13	-	879	-	-	927	-	927
Loss for the period	-	-	-	-	-	-	(133,821)	(133,821)	(44,170)	(177,991)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	54,150	-	54,150	1,928	56,078
Total comprehensive income for the period	-	-	-	-	-	54,150	(133,821)	(79,671)	(42,242)	(121,913)
Released on expiry/forfeiture of share options	-	-	-	-	(89)	-	89	-	-	-
At 30 June 2010	686,455	965,911	1,911,436	12,836	4,482	381,436	(85,993)	3,876,563	781,307	4,657,870
At 1 January 2011	686,455	965,911	1,911,436	168,813	4,927	492,116	(489,467)	3,740,191	780,029	4,520,220
Loss for the period	-	-	-	-	-	-	(120,661)	(120,661)	(42,695)	(163,356)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	89,107	-	89,107	95	89,202
Total comprehensive income for the period	-	-	-	-	-	89,107	(120,661)	(31,554)	(42,600)	(74,154)
Transfer to general reserve	-	-	-	5,345	-	-	(5,345)	-	-	-
Released on expiry/forfeiture of share options	-	-	-	-	(195)	-	195	-	-	-
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	10,832	10,832
Released on acquisition of additional interest in subsidiaries	-	-	-	-	-	-	1,711	1,711	(1,711)	-
At 30 June 2011	686,455	965,911	1,911,436	174,158	4,732	581,223	(613,567)	3,710,348	746,550	4,456,898

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors (the "Board") of the Company on 30 August 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2010, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011.

HKFRSs (Amendments)
Amendments to HKAS 32
Amendment to HK(IFRIC)
– Interpretation 14
HK(IFRIC) – Interpretation 19

HKAS 24 (Revised)

Improvements to HKFRSs 2010
Classification of Rights Issues
Prepayments of a Minimum Funding Requirement

Extinguishing Financial Liabilities with Equity Instruments
Related Party Disclosures

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other than as noted below, the adoption of these new HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The adoption of other new HKFRSs has no material impact on the Group's results and financial position for the current and prior periods.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2011. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The executive directors have identified the Group's five product and services line as operating segments: corporate IT application services, financial information services, distance learning education services, property development and culture and media services. Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2011 and 30 June 2010 are as follows:

For the six months ended 30 June 2011							
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
Revenue							
From external customers	365,559	8,838	4,545	502,726	341,220	14,360	1,237,248
From other segments	-	-	-	-	-	-	-
Reportable and all other segments revenue	365,559	8,838	4,545	502,726	341,220	14,360	1,237,248
Reportable and all other segments (loss)/profit	(98,941)	(21,971)	(1,820)	102,804	(58,501)	8,220	(70,209)

For the six months ended 30 June 2010							
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
Revenue							
From external customers	292,133	9,710	3,724	539,494	216,550	8,308	1,069,919
From other segments	-	-	-	-	-	-	-
Reportable and all other segments revenue	292,133	9,710	3,724	539,494	216,550	8,308	1,069,919
Reportable and all other segments (loss)/profit	(76,929)	(19,421)	(1,061)	85,788	5,421	(84,515)	(90,717)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(continued)*

The reportable segment assets as at 30 June 2011 and 31 December 2010 are as follows:

	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
As at 30 June 2011	947,141	5,132	3,819	8,403,728	1,298,170	24,400	10,682,390
As at 31 December 2010	1,075,058	8,194	4,229	8,290,409	769,550	147,903	10,295,343

The total presented for the Group's operating segment results are reconciled to the Group's key financial figures as presented in these condensed consolidated interim financial statements as follows:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Reportable segment revenue	1,222,888	1,061,611
All other segments revenue	14,360	8,308
Elimination of inter segment revenue	–	–
Group revenue	1,237,248	1,069,919
Reportable segment results	(78,429)	(6,202)
All other segments results	8,220	(84,515)
Bank interest income	17	75
Other interest income	995	1,440
Total interest income on financial assets not at fair value through profit or loss	1,012	1,515
Depreciation and amortisation	(95)	(118)
Finance costs	(3,114)	(1)
Gain on deemed disposal of partial interest in an associate	–	4,969
Share of results of associates	(491)	(17)
Loss on disposal of subsidiaries	–	(58)
Unallocated corporate expenses	(25,699)	(30,451)
Loss before income tax	(98,596)	(114,878)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME

(a) The Group's turnover represents revenue from its principal activities as set out below:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Corporate IT application services	365,559	292,133
Financial information services	8,838	9,710
Distance learning education services	4,545	3,724
Sales of properties	502,726	539,494
Property management	14,360	8,308
Culture and media services	17,687	10,466
Ticketing income	282,129	181,963
Confectionery sales	41,404	24,121
	1,237,248	1,069,919

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME *(continued)*

(b) Other operating income:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Dividend income	5	855
Interest income on financial assets designated at fair value through profit or loss	–	1,538
Bank interest income	1,285	1,052
Other interest income	3,795	3,475
Total interest income on financial assets not at fair value through profit or loss	5,080	4,527
Net fair value gain on financial assets at fair value through profit or loss	10,602	–
Government grants	–	7,449
Gain on disposal of non-current assets classified as held for sale	31,052	–
Gain on deemed disposal of partial interest in an associate	–	4,969
Sundry income	4,327	5,669
	51,066	25,007

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

5. FINANCE COSTS

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Interest on bank loans wholly repayable within five years	40,641	33,068
Finance costs on finance from third parties wholly repayable within five years	208,160	211,779
Interest on other payables	51	42
Interest on finance leases	5,102	1
Total financial costs on financial liabilities not at fair value through profit or loss	253,954	244,890
Less: Amounts directly attributable to properties held for and under development capitalised	(105,583)	(105,626)
	148,371	139,264

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

6. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill	32,908	33,881
Gross depreciation of property, plant and equipment		
– owned assets	50,949	40,861
Less: Amounts capitalised in intangible assets	(41)	(14)
Net depreciation of property, plant and equipment – owned assets	50,908	40,847
Depreciation of property, plant and equipment – leased assets	21,239	13
Depreciation of investment property	–	54
Operating lease charges on prepaid land lease	165	659
Loss on disposal of property, plant and equipment	223	232
Net fair value (gain)/loss on financial assets at fair value		
through profit or loss	(10,602)	80,009
Loss on disposal of subsidiaries	–	58
Gain on disposal of non-current assets classified as held for sale	(31,052)	–

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
The tax expense comprises:		
Current tax charge for the period		
– Hong Kong Profits Tax	4,365	4,317
– PRC Enterprise Income Tax	52,718	53,401
– PRC Land Appreciation Tax	7,677	5,395
	64,760	63,113

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

7. INCOME TAX EXPENSE *(continued)*

For the six months ended 30 June 2011, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2010: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (six months ended 30 June 2010: 15%).

No provision for US federal income tax and state income tax was made as the subsidiaries of the Group did not derive any assessable profit in US for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company for the period of HK\$120,661,000 (six months ended 30 June 2010: HK\$133,821,000) and on the weighted average number of 68,645,535,794 (six months ended 30 June 2010: 68,645,527,507) ordinary shares in issue during the period.

The share options had no dilutive effect on the loss per share for the six months ended 30 June 2011 as the exercise price of the options outstanding during the period exceeds the average market price of ordinary shares.

Diluted per share amount for the six months ended 30 June 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of HK\$368,644,000 (six months ended 30 June 2010: HK\$131,664,000, excluding property, plant and equipment acquired through business combination).

Property, plant and equipment with net book value of HK\$1,327,000 were disposed of by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$429,000), resulting in a net loss on disposal of HK\$223,000 (six months ended 30 June 2010: HK\$232,000)

10. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0-90 days	59,415	72,500
91-180 days	7,610	4,755
181-270 days	4,749	68,587
271-360 days	11,816	882
Over 360 days	17,112	2,717
Trade receivables, gross	100,702	149,441
Less: Provision for impairment of receivables	(11,802)	(11,594)
Trade receivables, net	88,900	137,847

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

11. TRADE PAYABLES

Based on the invoice dates, the aging analysis of the trade payables is as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0-90 days	90,439	49,722
91-180 days	7,148	12,069
181-270 days	1,196	6,303
271-360 days	11,369	249,847
Over 360 days	187,120	27,534
	297,272	345,475

12. BANK AND OTHER BORROWINGS, SECURED

At 30 June 2011, bank and other borrowings were repayable as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within one year	902,028	280,137
In the second year	282,585	462,262
In the third to fifth years	417,619	333,216
Wholly repayable within five years	1,602,232	1,075,615
Less: Portion due within one year under current liabilities	(902,028)	(280,137)
Portion due over one year under non-current liabilities	700,204	795,478

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2010, 31 December 2010 and 30 June 2011	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2010	68,645,035,794	686,450
Issue of ordinary shares upon exercise of share options	500,000	5
At 31 December 2010 and 30 June 2011	68,645,535,794	686,455

14. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
An associate (<i>note a</i>)	14,372	13,982
Third parties (<i>note b</i>)	65,211	65,531
	79,583	79,513

Notes:

- (a) There have been no material developments in respect of pending litigation with the loan borrowed by an associate since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2010. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.
- (b) Up to the reporting date, information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness") disclosed in the Group's annual audited financial statements for the year ended 31 December 2010 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

15. CAPITAL COMMITMENTS

At 30 June 2011, the Group had outstanding capital commitments as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	125,020	144,452
– property, plant and equipment	14,025	240,307
	139,045	384,759

16. CREDIT FACILITIES

At 30 June 2011 and 31 December 2010, the Group's credit facilities were secured by the following:

- (a) charge over interest in leasehold land with a net carrying value of approximately HK\$14,128,000 (31 December 2010: HK\$Nil);
- (b) charge over construction in progress with a net carrying value of approximately HK\$284,257,000 (31 December 2010: HK\$Nil);
- (c) charge over certain properties held for and under development for sale with carrying value of approximately HK\$1,386,328,000 (31 December 2010: HK\$1,495,192,000);
- (d) personal guarantee given by a director;
- (e) charge over securities accounts with a net carrying value of approximately HK\$387,000 (31 December 2010: HK\$999,000);

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

16. CREDIT FACILITIES *(continued)*

- (f) pledge of 11,162,999,000 (31 December 2010: 962,999,000) shares in Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, held by the Company indirectly in favour of certain securities brokers and a financial institution (31 December 2010: certain securities brokers), the total of which represents approximately 89.19% (31 December 2010: 7.69%) of total interest of the Company in Sino-i. The market value of such listed shares as at 30 June 2011 was approximately HK\$446,520,000 (31 December 2010: HK\$51,039,000);
- (g) pledge of certain bank deposits (31 December 2010: certain debts securities) for standby letters of credit issued by banks and a financial institution (31 December 2010: a financial institution) for total amounts of US\$30,400,000 (31 December 2010: a maximum amount not exceeding US\$12,625,000);
- (h) pledge of certain bank deposits of HK\$263,830,000 (31 December 2010: HK\$37,446,000); and
- (i) share mortgage and assignment of shareholders' loan of two (31 December 2010: three) wholly-owned subsidiaries of the Company and corporate guarantee given by the Company.

17. RELATED PARTY TRANSACTIONS

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Directors' fees	500	486
Basic salaries, housing, other allowances and benefits in kind	1,428	1,386
Pension scheme contributions	111	101
Share-based payments	–	83
	2,039	2,056

Except as disclosed above and elsewhere in these condensed consolidated interim financial statements, there was no material related party transaction carried out during the period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2011

18. LITIGATIONS

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2010.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group was continuously engaged in property development as its principal business and committed to culture and media business through its subsidiary, Dadi Media (HK) Limited ("Dadi Media"). Also, the Group through Sino-i involved in corporate IT application services, financial information services and distance learning education services.

During the period, turnover was approximately HK\$1,237.2 million (6 months ended 30 June 2010: HK\$1,069.9 million), and net loss attributable to the owners of the Company was approximately HK\$120.7 million (6 months ended 30 June 2010: HK\$133.8 million). The net assets attributable to the owners of the Company were approximately HK\$3,710.3 million (31 December 2010: HK\$3,740.2 million), representing a value of approximately HK\$0.054 per share.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development Sector

During the period, turnover of this division was approximately HK\$502.7 million (6 months ended 30 June 2010: HK\$539.5 million) and net profit before income tax was approximately HK\$102.8 million (6 months ended 30 June 2010: HK\$85.8 million).

During the period, Phase 2 of “The Peninsula” in Shenzhen recorded approximately RMB421.6 million in sales. The above ground gross floor area of Phases 1 and 3 of “Free City” (自由城) in Guangzhou is approximately 250,000 sq.m. of which approximately 40,000 sq.m. are for ancillary facilities. Currently, part of the main structure of “Free City” has been completed, and the relevant facilities and gardening works etc. are also underway. The sale of this project is expected to commence in the second half of the year.

Culture and Media Sector

In 2011, Dadi Media continues to focus and enhance the commitment to and development of its businesses in culture and media sector. During the period, Dadi Media’s 95 digital cinemas were in operations, having 391 screens and providing 66,236 seats. Meanwhile, additional 73 cinemas with 376 screens and 56,400 seats are under construction. In the first half of 2011, the box office of Dadi digital cinemas recorded a growth of 55% as compared with the same period last year.

Benefiting from the continuous investment since 2006, the server “ORISTAR AQ10” (智辰AQ10), developed by 大地辰星科技發展(北京)有限公司 (Dadi Oristar Technology Development (Beijing) Co., Ltd.) (“Oristar Technology”), a wholly-owned subsidiary of Dadi Media, has passed JPEG200 Interop Certification from CINECERT in the USA, an international authoritative in accreditation of digital cinema and 2K Chinese Digital Cinema Interop Certification from China Research Institute of Film Science and Technology. The server has been in its on-trial stage. “ORISTAR AQ10” equipped with an MB panel specializing for digital movie server, of which intellectual property is intact and free from third party rights. The panel is applying for the accreditation of the FIPS 140-2 at security level 3. Oristar Technology is expected to contribute a stable income for Dadi Media from 2012.

During the period, the development of “www.hipiao.com”, an on-line ticketing system, was growing rapidly, which had about 800,000 paid members. In the first half of 2011, the aggregate amount topped up by members increased 192% as compared with the same period last year, showing promising development potential.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Culture and Media Sector *(continued)*

As the business of Dadi cinema together with other related businesses under this division were all in expansion mode, continuous and sustainable investments were inevitable, and income from cinema operation was subject to the seasonal limitation of the industry, this division recorded an expected temporarily loss. It is expected that each business of this division will enter its maturity stage of return, and the overall business performance of this division will have a significant improvement.

During the period, turnover of this division was approximately HK\$341.2 million (6 months ended 30 June 2010: HK\$216.6 million), and net loss before income tax was approximately HK\$58.5 million (6 months ended 30 June 2010: net profit before income tax was approximately HK\$5.4 million). The Group's 95 digital cinemas in operation contributed an operating income of approximately HK\$323.5 million (6 months ended 30 June 2010: HK\$206.1 million), increased 57% as compared with the same period last year.

IT Sector

Corporate IT Application Services

During the period, turnover of this division was approximately HK\$365.6 million (6 months ended 30 June 2010: HK\$292.1 million), having an increase of approximately 25.2% by comparing with the same period last year, and net loss before income tax was approximately HK\$98.9 million (6 months ended 30 June 2010: HK\$76.9 million).

During the period, this division carried out internal integration. Both 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") are this division's key operation arms, continuing to focus on developing informationization market of the SME. Sales of its self-developed products increased 64.95% as compared with the same period last year. In order to expand its market coverage in different regions, CE Dongli has proceeded a new round of expansion by establishing more direct branches and increasing investment in marketing. Meanwhile, Xinnet has restructured its agency business; optimized the hierarchical management system of the agents; and formulated a more precise market developmental strategy. For the technology R&D, the Group continued to follow its previous investment strategy. Due to the effect brought by expansion of branch offices, the marketing investment and the on-going R&D investment, this division recorded a greater loss during the period. Nevertheless, the Group believes that such investments will have a positive impact on the business development of this division in the second half of the year and onwards.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

IT Sector *(continued)*

Financial Information Services

During the period, turnover of this division was approximately HK\$8.8 million (6 months ended 30 June 2010: HK\$9.7 million) and net loss before income tax was approximately HK\$22.0 million (6 months ended 30 June 2010: HK\$19.4 million).

During the period, 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), the financial information services arm of the Group, continuously implemented new developmental strategy in three core businesses—information, data and data analysis. By leveraging the advantage in its advanced product portfolio, it briskly enhanced the satisfaction of the end-product users. Shihua has achieved a significant increase in sales of its main product line in the first half of the year as compared with the same period last year, and adjustments were made to some of its old product lines. Although the adjustments affected the total sales, the benefits to be brought by the integration of resources will, to a certain extent, enhance the overall level of operation in the second half of the year and for the year of 2012.

Distance Learning Education Services

During the period, turnover of this division was approximately HK\$4.5 million (6 months ended 30 June 2010: HK\$3.7 million) and net loss before income tax was approximately HK\$1.8 million (6 months ended 30 June 2010: HK\$1.1 million).

During the period, by strengthening the franchised marketing, 北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited), a subsidiary of the Company, boosted the sales growth in the private learning market and enhanced its efforts in expanding the group learning market. Although sales income increased in the first half of the year, the cost incurred in developing the market was relatively higher and thus the business was in a loss position during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2011, the net assets attributable to the owners of the Company amounted to approximately HK\$3,710.3 million (31 December 2010: HK\$3,740.2 million), including cash and bank balances of approximately HK\$575.9 million (31 December 2010: HK\$434.9 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2011, the Group's aggregate borrowings were approximately HK\$4,405.8 million (31 December 2010: HK\$3,909.9 million), of which approximately HK\$2,964.8 million (31 December 2010: HK\$3,270.7 million) were bearing interest at fixed rates while approximately HK\$1,441.0 million (31 December 2010: HK\$639.2 million) were at floating rates. As at 30 June 2011, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 43.46% as at 31 December 2010 to 46.22% as at 30 June 2011.

The capital commitment of the Group as at 30 June 2011 was approximately HK\$139.0 million, of which approximately HK\$125.0 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK\$14.0 million would be used as capital expenditure for expanding cinema business.

The Group's contingent liabilities as at 30 June 2011 were approximately HK\$79.6 million due to the guarantees given in connection with credit facilities.

As at 30 June 2011, interest in leasehold land, construction in progress, certain properties held for development and in development for sale with a total net carrying value of approximately HK\$1,684.7 million as well as bank deposits of approximately HK\$263.8 million were pledged to secure credit facilities granted to the Group. In addition, trading securities having carrying value of approximately HK\$400,000, certain shares of three subsidiaries were pledged and shareholders' loan of two subsidiaries were assigned for securing the Group's credit facilities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The ever-growing economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by Renminbi exchange rate. Although Renminbi exchange risk exposure did not have significant impact on the Group during the period under review, the Group will keep on reviewing and monitoring the exchange fluctuation between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EMPLOYEE

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share option under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 30 June 2011, the Group had approximately 12,301 employees (30 June 2010: 10,021 employees). The salary of and allowances for employees for the six months ended 30 June 2011 were approximately HK\$432.7 million (6 months ended 30 June 2010: HK\$309.9 million).

PROSPECT

For property development sector, in view of the overall property market of China in the first half of 2011, both the central and local governments of China continued to upgrade and intensify the austerity measures on private and public dwellings in order to consolidate and enhance the expected result of austerity. It is expected that the property market of China will maintain a low and stable growing trend in the second half of the year. Under such background, the Group will continue to build up its property brand name, control the pace of development and sale of its projects in order to maintain a continuous and stable growth in property development business.

For culture and media sector, the Group will continue to increase its investment in the areas of cinema construction and film distribution etc. As each business of this division will enter its maturity stage of return; and there will be a healthy, organized and highly efficient development for digital cinemas, the Group will optimize the value for its shareholders.

For IT sector, the Group will endeavor to expand its corporate IT application services business ; launch new products in a timely manner to cater the market demand; expand the market share by speeding up branch business expansion; continue to facilitate the integration of internal resources; and curtail the operating loss significantly, in a bid to lead its operations into a new era of growth.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

(i) Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	–	34,945,726,203 (Note 1)	69,326,400 (Note 2)	35,015,052,603	51.01%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Wang Gang	8,500,000	–	–	8,500,000	0.01%
Qin Tian Xiang	7,000,000	–	–	7,000,000	0.01%

Notes:

1. Out of these 34,945,726,203 shares, 31,203,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.
2. These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

The Company *(continued)*

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Liu Rong	7,000,000	Personal	0.01%
Lam Bing Kwan	3,000,000	Personal	0.004%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Chen Dan	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Liu Rong	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Lam Bing Kwan	20-04-2009	0.0702	1,500,000	01-01-2010 to 31-12-2011
			1,500,000	01-01-2011 to 31-12-2011

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2011, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi	–	12,515,795,316 (Note 1)	44,000,000 (Note 2)	12,559,795,316	63.07%

Notes:

- These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at 30 June 2011, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

The share options granted on 18 January 2007 at the exercise price of HK\$0.0714 per share expired at the close of the business on 18 January 2009.

On 20 April 2009, another share options to subscribe for a total of 185,200,000 shares, representing approximately 0.62% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors, employees of the Group and those who have contributed to the Group at an exercise price of HK\$0.0702 per share. The closing price of share of the Company immediately preceding the date of grant was HK\$0.070 per share.

Movements on the share options during the period are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2011
Directors								
Chen Dan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	3,500,000	-	-	-	3,500,000
		01-01-2011 to 31-12-2011	0.0702	3,500,000	-	-	-	3,500,000
Liu Rong	20-04-2009	01-01-2010 to 31-12-2011	0.0702	3,500,000	-	-	-	3,500,000
		01-01-2011 to 31-12-2011	0.0702	3,500,000	-	-	-	3,500,000
Lam Bing Kwan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	1,500,000	-	-	-	1,500,000
		01-01-2011 to 31-12-2011	0.0702	1,500,000	-	-	-	1,500,000
Employees								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	65,700,000	-	-	(3,300,000)	62,400,000
		01-01-2011 to 31-12-2011	0.0702	69,400,000	-	-	(3,300,000)	66,100,000
Other participants								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	5,950,000	-	-	-	5,950,000
		01-01-2011 to 31-12-2011	0.0702	5,950,000	-	-	-	5,950,000
Total				164,000,000	-	-	(6,600,000)	157,400,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2011, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	<i>Notes</i>
Kung Ai Ming	Family and Corporate interest	35,015,052,603	51.01%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	3
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2 & 3
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	3
CITIC Group	Corporate interest	8,635,691,472	12.58%	2
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Beneficial interest	60,900,000	0.09%	
	Security interest	7,700,000,000	11.22%	

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(continued)*

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
2. CITIC Group was indirectly interested in 8,635,691,472 shares, of which interests are held by its wholly-owned subsidiary, Staverley Assets Limited, and its 40% owned company, Macro Resources Ltd.
3. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Ltd. is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Ltd. was included as the interest of Righteous International Limited.
4. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 30 June 2011, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Remuneration of director

Mr. Lam Bing Kwan, a non-executive director of the Company, is entitled to receive a director's fee of HK\$60,000 per annum with effect from 1 July 2011 determined with reference to his duties and responsibilities within the Company, and is subject to review by the Board of the Company from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011, except for the deviations mentioned below:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer (the “CEO”) should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board of the Company believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company’s Bye-Laws. As such, the Board of 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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2011, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 30 August 2011



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