

National Investments  
NATIONAL INVESTMENTS FUND LIMITED  
國盛投資基金有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 1227)



Interim Report **2010**



# Contents

	<i>Pages</i>
Corporate Information	2
Management Discussion and Analysis	3
Other Information	8
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14

## DIRECTORS

### *Executive Directors*

Mr. Wong Danny F. (*Chairman*)  
Mr. Wu Tse Wai, Frederick  
(*Chief Executive Officer*)  
Mr. Fong Chi Wah

### *Non-executive Director*

Ms. Yang XiaoFeng

### *Independent Non-executive Directors*

Mr. Char Shik Ngor, Stephen  
Mr. Lui Tin Nang  
(Appointed on 13 April 2010)  
Mr. Liu Jin  
Mr. Fung Kwok Leung  
(Resigned on 13 April 2010)

## COMPANY SECRETARY

Mr. Liu Wengang

## AUDIT COMMITTEE

Mr. Lui Tin Nang (*Chairman*)  
(Appointed on 13 April 2010)  
Mr. Liu Jin  
Mr. Char Shik Ngor, Stephen  
Mr. Fung Kwok Leung  
(Resigned on 13 April 2010)

## AUDITORS

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants

## PRINCIPAL BANKERS

Wing Hang Bank, Limited  
Industrial and Commercial  
Bank of China (Asia) Limited

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

Room 2907-2908, 29th Floor  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

## INVESTMENT MANAGER

Beijing Capital Partners Limited  
Room 5128  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

## CUSTODIAN

Bank of Communications Trustee  
Limited  
1st Floor  
Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

The Stock Exchange of Hong Kong  
Limited:  
1227

## WEBSITE

[www.nif-hk.com](http://www.nif-hk.com)

The board of directors (the “Board”) of National Investments Fund Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company for the six months ended 30 June 2010. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

### **BUSINESS REVIEW AND PROSPECTS**

As at 30 June 2010, investment portfolio of the Group consisted of listed securities with market value HK\$78,817,000 (31 December 2009: HK\$66,030,000) and unlisted investments with fair value HK\$3,416,000 (31 December 2009: HK\$3,448,000).

For the six months ended 30 June 2010, the Group recorded a net loss of HK\$27,772,000 (30 June 2009: net profit of HK\$3,288,000) and this was mainly attributable to the unrealized loss on financial assets at fair value through profit or loss of HK\$17,541,000 (30 June 2009: unrealized gain of HK\$12,707,000).

The Group was investing and managing a portfolio of diversified securities covering a range of industry sectors to achieve risk diversification. During the interim period, the Company had made various investment transactions in connection with the markets in Hong Kong. With the cash resources generated from placing of the Second Tranche Convertible Notes of the Company during the interim period together with the successful conversion on 22 April 2010, the Board is continuing to seek, identify, evaluate and capture appropriate investment opportunities not only in Hong Kong and the Mainland China, but also on the global platform. The Board is cautiously optimistic to the future prospects of financial markets in Hong Kong and the Mainland China, and is expecting our investments would achieve attractive returns.

### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2010 (30 June 2009: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group had retained cash of HK\$23,937,000 (31 December 2009: HK\$29,365,000). As most of the retained cash was placed in Hong Kong Dollars with the Bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Group had net current assets of HK\$105,869,000 (31 December 2009: HK\$95,928,000) and no borrowings or long-term liabilities as at 30 June 2010. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2010, was 0.26% (31 December 2009: 0.37%).

## EMPLOYEES

As at 30 June 2010, the Group had 18 (31 December 2009: 13) employees, including executive directors, non-executive director and independent non-executive directors. Total staff costs for the interim period amounted to HK\$3,249,000 (30 June 2009: HK\$1,878,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

## CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2010, the interests or short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

### Interests and short positions in shares, underlying shares and debentures of the Company

Name of directors	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest in controlled corporation	Long Position	1,023,026,000 (Note 1)	25.94%
	Beneficial owner	Long Position	1,092,000 (Note 2)	0.03%
Mr. Wu Tse Wai, Frederick	Beneficial owner	Long Position	1,092,000 (Note 2)	0.03%
Mr. Fong Chi Wah	Beneficial owner	Long Position	1,092,000 (Note 2)	0.03%
Ms. Yang XiaoFeng	Beneficial owner	Long Position	1,092,000 (Note 2)	0.03%
Mr. Char Shik Ngor, Stephen	Beneficial owner	Long Position	1,092,000 (Note 2)	0.03%
Mr. Liu Jin	Beneficial owner	Long Position	1,092,000 (Note 2)	0.03%

## Notes:

1. These 1,023,026,000 ordinary shares of the Company represent the aggregate of 899,026,000 ordinary shares and 124,000,000 warrants expiring on 13 July 2012, with an exercise price of HK\$0.05 each for one ordinary share, are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.; and
2. These 1,092,000 shares are derived from the interest in 1,092,000 share options granted by the Company to these directors respectively, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below.

Save as disclosed above, none of the directors, chief executive or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under "Interests in Share Options" below, at no time during the period was the Company a party to any arrangements to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in or debentures of the Company or any associated corporations.

## **INTERESTS IN SHARE OPTIONS**

The Company has a share option scheme under which the directors may, at their discretion, grant options to any directors (including independent non-executive directors) or full-time employees of the Company to subscribe for shares in the Company, subject to the stipulated terms and conditions. No options were granted or agreed to be granted under the share option scheme during the six months ended 30 June 2010.

# Management Discussion and Analysis

Details of movements of the share options during the six months ended 30 June 2010 under the share option scheme are as follows:

Name or category of participants	Number of share options				Outstanding at 30 June 2010	Exercise price (HK\$)	Date of grant	Exercisable period (Note 1)
	Balance at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>								
Mr. Wong Danny F.	1,092,000	–	–	–	1,092,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Wu Tse Wai, Frederick	1,092,000	–	–	–	1,092,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Fong Chi Wah	1,092,000	–	–	–	1,092,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Ms. Yang XiaoFeng	1,092,000	–	–	–	1,092,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Char Shik Ngor	1,092,000	–	–	–	1,092,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Fung Kwok Leung	1,092,000	–	–	–	–	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Liu Jin	1,092,000	–	–	–	1,092,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	7,644,000	–	–	–	6,552,000			
<b>Employees</b>								
	5,460,000	–	–	(5,460,000)	–	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
<b>Resigned directors</b>								
	1,092,000	–	–	–	2,184,000	0.38	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	14,196,000	–	–	(5,460,000)	8,736,000			

## Notes:

- In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.
- Mr. Fung Kwok Leung resigned as an independent non-executive director on 13 April 2010 and his outstanding share options of 1,092,000 as at 30 June 2010 were placed under the category of resigned directors.

Save as disclosed above, none of the Company's directors and chief executive, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 June 2010.



### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2010, so far as is known to the directors, the following persons (other than the directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

#### ***Interests and short position in shares and underlying shares of the Company***

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
CCM Asia Investment Corporation (Note)	Beneficial owner	Long position	1,023,026,000	25.94%

*Note:* These 1,023,026,000 ordinary shares represent the aggregate of 899,026,000 ordinary shares and 124,000,000 warrants expiring on 13 July 2012, with an exercise price of HK\$0.05 each for one ordinary share, and Mr. Wong Danny F., an executive director and the chairman of the Company, is the sole shareholder of CCM Financial Corporation which in turn is the sole shareholder of CCM Asia Investment Corporation.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 June 2010.

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

During the six months ended 30 June 2010, the Company has not purchased, sold nor redeemed any of its listed securities.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES**

The company was committed to maintain high level of corporate governance and has steered its development and protected the interests of shareholders in an enlightened and open manner.

As at 30 June 2010, the Board comprises three executive directors, one non-executive director and three independent non-executive directors. The Company has complied with the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange during the six months ended 30 June 2010, with deviation from Code Provision E.1.2.

#### **Code Provision E.1.2**

According to Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. In respect of the annual general meeting held on 25 June 2010, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

### **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code, as set out in Appendix 10 of the Listing Rules, throughout the six months ended 30 June 2010. After having made specific enquiry to all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2010.

### **AUDIT COMMITTEE**

The audit committee of the Company, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the Group’s unaudited interim financial statements for the six months ended 30 June 2010.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	As at 30 June 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,303	3,785
Available-for-sale financial assets		3,416	3,448
<b>Total non-current assets</b>		<b>6,719</b>	<b>7,233</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	3	78,817	66,030
Prepayment, deposit and other receivable		3,404	912
Cash and bank balances		23,937	29,365
		<b>106,158</b>	<b>96,307</b>
<b>Total assets</b>		<b>112,877</b>	<b>103,540</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company:</b>			
Share capital	4	39,441	32,950
Reserves		73,147	70,211
<b>Total equity</b>		<b>112,588</b>	<b>103,161</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued charges and other payable		289	379
<b>Total liabilities</b>		<b>289</b>	<b>379</b>
<b>Total equity and liabilities</b>		<b>112,877</b>	<b>103,540</b>
<b>Net current assets</b>		<b>105,869</b>	<b>95,928</b>
<b>Total assets less current liabilities</b>		<b>112,588</b>	<b>103,161</b>

Approved by the Board of Directors on 30 August 2010 and signed on its behalf by:

**Wong Danny F.**  
Chairman

**Wu Tse Wai, Frederick**  
Chief Executive Officer

The accompanying notes form an integral part of these financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	5	(18,078)	12,748
Other operating expenses	7	(9,495)	(5,371)
Impairment loss on available-for-sale financial assets			
– previously recognized in available-for-sale financial assets equity reserve		–	(976)
– fair value at 31 December 2008		–	(2,163)
Impairment loss on conversion options embedded in convertible notes		–	(950)
Finance cost		(199)	–
(Loss)/profit before taxation		(27,772)	3,288
Income tax expense	8	–	–
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(27,772)</b>	<b>3,288</b>
<b>Attributable to:</b>			
Owners of the Company		(27,772)	3,288
Other comprehensive income			
Change in fair value of available-for-sale financial assets		–	98
Other comprehensive income for the period, net of tax		–	98
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(27,772)</b>	<b>3,386</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>(27,772)</b>	<b>3,386</b>
Interim dividend	9	–	–
(Loss)/Earnings per share:			
Basic, in HK cents	10	(0.78)	0.28
Diluted, in HK cents		(0.78)	0.27

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2010

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Warrants reserve (unaudited) HK\$'000	Available- for-sale financial assets equity reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
Balance at 1 January 2009	10,920	72,825	2,234	—	(976)	(58,048)	26,955
Other comprehensive income	—	—	—	—	98	—	98
Reversal of change in fair value of available-for-sale financial assets	—	—	—	—	976	—	976
Profit for the period	—	—	—	—	—	3,288	3,288
	10,920	72,825	2,234	—	98	(54,760)	31,317
Recognition of equity settled share- based payment	—	—	351	—	—	—	351
Issued of shares	2,184	8,736	—	—	—	—	10,920
Share issue expenses	—	(257)	—	—	—	—	(257)
Issue of unlisted Warrants	—	—	—	162	—	—	162
Balance at 30 June 2009	13,104	81,304	2,585	162	98	(54,760)	42,493

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Warrants reserve (unaudited) HK\$'000	Available- for-sale financial assets equity reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
Balance at 1 January 2010	32,950	126,942	1,497	33,728	(2,256)	(89,700)	103,161
Loss for the period	—	—	—	—	—	(27,772)	(27,772)
Total comprehensive loss for the period	—	—	—	—	—	(27,772)	(27,772)
Conversion of shares	6,491	25,198	—	5,510	—	—	37,199
Expiry of warrants	—	—	—	(162)	—	162	—
Share issue expenses	—	—	—	—	—	—	—
Balance at 30 June 2010	39,441	152,140	1,497	39,076	(2,256)	(117,310)	112,588

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash outflow from operating activities	(30,007)	(24,634)
Net cash outflow from investing activities	(12,851)	(5,673)
Net cash outflow from financing activities	37,430	10,825
Net decrease in cash and cash equivalents	(5,428)	(19,482)
Cash and cash equivalents at beginning of period	29,365	23,045
Cash and cash equivalents at end of period	23,937	3,563
Analysis of cash and cash equivalents:		
Cash and bank balance	23,937	3,563

# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2010 (in HK Dollars)*

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 27 September 2002.

Principal activities of the Company and its subsidiary (the “Group”) include the investments in listed and unlisted financial instruments.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2010.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for the First-time Adopter
HKFRS 2 (Amendments)	Amendment to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combination
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
<b>Held-for-trading</b>		
Equity securities, at fair value		
– listed in Hong Kong	78,817	66,030

## 4. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.01 each</b>	HK\$'000
Authorized:		
At 31 December 2009 (audited) and 30 June 2010 (unaudited)	20,000,000,000	200,000
Issued and fully paid:		
At 31 December 2009 (audited)	3,295,000,000	32,950
Conversion of convertible notes (Note)	649,122,807	6,491
At 30 June 2010 (unaudited)	3,944,122,807	39,441

Note:

On 16 April 2010, the Company has completed the placing of the second tranche of the Convertible Notes in the aggregate principal amount of HK\$37,000,000. On 22 April 2010, the Convertible Notes of HK\$37,000,000 were fully converted into ordinary shares of the Company at a conversion price of HK\$0.057 per share. As a result, 649,122,807 ordinary shares were issued.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 5. REVENUE

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net (loss)/gain on financial assets at fair value through profit or loss (Note)	(18,595)	12,707
Interest income from bank deposit	—	32
Dividend income from financial assets at fair value through profit or loss	517	9
	<b>(18,078)</b>	<b>12,748</b>

Note:

Net (loss)/gain on financial assets at fair value through profit or loss represented:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proceeds on sales	34,865	—
Less: cost of sales	(35,919)	—
Net realized loss on financial assets at fair value through profit or loss	(1,054)	—
Net unrealized (loss)/gain on financial assets at fair value through profit or loss	(17,541)	12,707
Net (loss)/gain on financial assets at fair value through profit or loss	<b>(18,595)</b>	<b>12,707</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 6. SEGMENT INFORMATION

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adoption of HKFRS 8, based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one operating segment, financial instruments investments. Accordingly, segment disclosures are not presented.

## 7. OTHER OPERATING EXPENSES

Other operating expenses included the following:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	546	17
Equity settled share-based payment	—	351
Employee benefits expenses	3,249	1,878
Legal and professional fee	96	607

## 8. INCOME TAX EXPENSES

No Hong Kong profits tax has been provided for the six months ended 30 June 2010 as the Group had no assessable profits.

No Hong Kong profits tax has been provided for the six months ended 30 June 2009 as the assessable profits of the Group were wholly offset by tax losses brought forward.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 9. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2010 (30 June 2009: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

### Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$27,772,000 (30 June 2009: profit of approximately HK\$3,288,000) and on the weighted average of approximately 3,554,649,000 (30 June 2009: approximately 1,186,117,000) ordinary shares in issue during the period.

### Basic and diluted

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

	<b>Six months ended 30 June</b>	
	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2009</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>(Loss)/earning</b>		
(Loss)/earnings for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	<b>(27,772)</b>	3,288
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>3,554,649</b>	1,186,117
Effect of dilutive potential ordinary shares for warrants	—	10,135
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>3,554,649</b>	1,196,252

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 10. (LOSS)/EARNINGS PER SHARE (Continued)

### Diluted

Diluted loss per share for the six months ended 30 June 2010 was the same as the basic loss per share. The Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

## 11. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2010, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Investment management fee to a related party (a)	200	—

- (a) In November 2009, an investment management agreement entered into between the Company and Beijing Capital Partners Limited (formerly known as Apex Wealth Investment Management Limited), in relation to the management of the Company's investment portfolio and to avail the Company of the experience, advice and assistance of the investment manager for a term of one year commencing on 16 November 2009 and terminating on 15 November 2010 at a management fee of HK\$400,000 per annum. Mr. Wu Tse Wai, Fredrick is the director of the Company and Beijing Capital Partners Limited.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 11. RELATED PARTY TRANSACTIONS (Continued)

### Key management compensation

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	1,123	850
Employer's contribution to pension scheme	12	11

## 12. COMMITMENTS

### (a) Capital commitments

At the end of the reporting period, the Group had the following capital commitments:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Contracted but not provided for — Purchase of property, plant and equipment	—	639

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (in HK Dollars)

## 12. COMMITMENTS (Continued)

### (b) Operating lease commitments

As lessee:

At the end of the reporting period, the total future minimum lease payments under non cancellable operating leases of the Group are repayable as follows:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Within one year	2,819	1,096
After one year but within five years	1,474	2,386
	<b>4,293</b>	<b>3,482</b>

## 13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date (31 December 2009: Nil).



## 14. SUBSEQUENT EVENTS

- (a) As detailed in the announcement dated 4 August 2010, the Company and the placing agent entered into a placing agreement whereby the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 788,824,000 placing shares to independent investors at a price of HK\$0.041 per placing share. The placing was completed on 16 August 2010.
- (b) As detailed in the announcement dated 6 August 2010, the Board put forward to the shareholders a proposal of share consolidation on the basis that every five (5) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of HK\$0.05 each. The Board also proposed to change the board lot size for trading in the shares of the Company from 4,000 shares to 10,000 consolidated shares after the share consolidation becoming effective. The share consolidation is conditional upon the approval of the shareholders at the extraordinary general meeting to be held on 13 September 2010.

## 15. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved by the Board of Directors on 30 August 2010.