



**COL Capital Limited**

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 0383)*

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**Interim Report 2007**

## UNAUDITED RESULTS OF THE GROUP

The Board of Directors (the “Directors”) of COL Capital Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2007 together with the comparative figures for the corresponding period in 2006 as follows. The consolidated interim financial statements have not been audited, but have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the Company’s Audit Committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

|   | NOTES | Six months ended                     |                                      |
|---|-------|--------------------------------------|--------------------------------------|
|   |       | 30.6.2007<br>HK\$'000<br>(unaudited) | 30.6.2006<br>HK\$'000<br>(unaudited) |
| Continuing operations:                          |       |                                      |                                      |
| Turnover  | 3     | <b>1,115,705</b>                     | 512,376                              |
| Rental income                                   |       | <b>2,294</b>                         | 1,761                                |
| Dividend income from listed investments         |       | <b>6,770</b>                         | 10,409                               |
| Interest income from loan receivables           |       | <b>6,497</b>                         | 3,683                                |
| Net gain on investments                         | 4     | <b>572,584</b>                       | 617,515                              |
| Other income                                    |       | <b>15,494</b>                        | 9,030                                |
| Administrative expenses                         |       | <b>(7,884)</b>                       | (22,834)                             |
| Other expenses                                  |       | <b>(339)</b>                         | (532)                                |
| Finance costs                                   | 5     | <b>(8,994)</b>                       | (3,225)                              |
| Fair value changes on investment properties     | 18    | <b>14,707</b>                        | –                                    |
| Share of profits of an associate                |       | <b>609</b>                           | –                                    |
| Gain on disposal of an associate                |       | –                                    | 1,740                                |
| Profit before taxation                          |       | <b>601,738</b>                       | 617,547                              |
| Taxation  | 6     | <b>(62,769)</b>                      | (9,600)                              |
| Profit from continuing operations               |       | <b>538,969</b>                       | 607,947                              |
| Discontinued operation:                         |       |                                      |                                      |
| Loss for the period from discontinued operation | 7     | <b>(1,548)</b>                       | (4,551)                              |
| Profit for the period                           | 8     | <b>537,421</b>                       | 603,396                              |
| Attributable to:                                |       |                                      |                                      |
| Equity holders of the Company                   |       | <b>528,424</b>                       | 603,396                              |
| Minority interests                              |       | <b>8,997</b>                         | –                                    |
|   |       | <b>537,421</b>                       | 603,396                              |
| Dividends recognised as distribution            | 9     | <b>11,084</b>                        | 11,425                               |
| Earnings per share                              |       |                                      |                                      |
| From continuing and discontinued operations     | 10    |                                      |                                      |
| – Basic   |       | <b>HK\$1.88</b>                      | HK\$2.06                             |
| From continuing operations                      |       |                                      |                                      |
| – Basic   |       | <b>HK\$1.89</b>                      | HK\$2.07                             |

## CONDENSED CONSOLIDATED BALANCE SHEET

|   | <i>NOTES</i> | <b>As at<br/>30.6.2007<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31.12.2006<br>HK\$'000<br>(audited) |
|---|--------------|---|--|
| Non-current assets                          |              |   |  |
| Investment properties                       | 11           | <b>84,085</b>   | 81,589                                       |
| Property, plant and equipment               | 11           | <b>3,159</b>  | 4,712  |
| Prepaid lease payments                      |              | <b>1,026</b>  | 2,424  |
| Interest in an associate                    | 12           | <b>181,335</b>  | –  |
| Available-for-sale investments              |              | <b>588,052</b>  | 557,375                                      |
| Loan notes                                  |              | <b>51,428</b>   | 50,476                                       |
| Convertible bonds                           |              | <b>3,313</b>  | 6,626  |
|   |              | <b>912,398</b>  | 703,202                                      |
| Current assets                              |              |   |  |
| Inventories held for<br>sale-finished goods |              | –   | 1,471  |
| Investments held for trading                |              | <b>2,467,464</b>  | 1,690,510                                    |
| Debtors, deposits and prepayments           | 13           | <b>109,330</b>  | 33,708                                       |
| Loan receivables                            |              | <b>121,122</b>  | 123,598                                      |
| Tax recoverable                             |              | <b>4,050</b>  | 3,543  |
| Bank balances and cash                      |              | <b>53,107</b>   | 58,007                                       |
|   |              | <b>2,755,073</b>  | 1,910,837                                    |
| Assets classified as held for sale          |              | –   | 134,419                                      |
|   |              | <b>2,755,073</b>  | 2,045,256                                    |

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

|   | NOTES | As at<br>30.6.2007<br>HK\$'000<br>(unaudited) | As at<br>31.12.2006<br>HK\$'000<br>(audited) |
|---|-------|---|--|
| Current liabilities   |       |   |  |
| Creditors, accrued charges and<br>other payable                   | 14    | 134,719                                       | 55,480                                       |
| Customers' deposits and<br>receipts in advance                    |       | 11,363  | 31,283                                       |
| Other borrowings  | 15    | 444,336                                       | 170,100                                      |
| Taxation payable  |       | 78,349  | 15,657                                       |
|   |       | <b>668,767</b>                                | 272,520                                      |
| Liabilities associated with assets<br>classified as held for sale |       | –   | 60,044                                       |
|   |       | <b>668,767</b>                                | 332,564                                      |
| Net current assets  |       | <b>2,086,306</b>                              | 1,712,692                                    |
|   |       | <b>2,998,704</b>                              | 2,415,894                                    |
| Capital and reserves  |       |   |  |
| Share capital   | 16    | 2,766   | 2,829  |
| Reserves  |       | 2,986,892                                     | 2,396,218                                    |
| Equity attributable to equity holders<br>of the Company           |       | <b>2,989,658</b>                              | 2,399,047                                    |
| Minority interests  |       | 9,046   | 16,847                                       |
| Total equity  |       | <b>2,998,704</b>                              | 2,415,894                                    |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 30th June 2007

|   | Attributable to equity holders of the Company |               |                       |                     |                    |                     |                  |           |                    |           |
|---|---|---------------|-----------------------|---------------------|--------------------|---------------------|------------------|-----------|--------------------|-----------|
|   | Share capital                                 | Share premium | Buildings Investments |                     | Capital            |                     | Retained profits | Sub-total | Minority interests | Total     |
|   |   |               | revaluation reserve   | revaluation reserve | redemption reserve | Translation reserve |                  |           |                    |           |
| HK\$'000  | HK\$'000                                      | HK\$'000      | HK\$'000              | HK\$'000            | HK\$'000           | HK\$'000            | HK\$'000         | HK\$'000  | HK\$'000           |           |
| At 1st January 2006   | 2,975   | 671,293       | 1,064                 | 30,504              | 1,965              | 470                 | 576,661          | 1,284,932 | 16,798             | 1,301,730 |
| Fair value changes on available-for-sale investments                                | -   | -             | -                     | 310,958             | -                  | -                   | -                | 310,958   | -                  | 310,958   |
| Exchange difference arising from translation of overseas operations                 | -   | -             | -                     | -                   | -                  | 475                 | -                | 475       | -                  | 475       |
| Net income recognised directly in equity  | -   | -             | -                     | 310,958             | -                  | 475                 | -                | 311,433   | -                  | 311,433   |
| Realised upon disposal of available-for-sale investments                            | -   | -             | -                     | (26,450)            | -                  | -                   | -                | (26,450)  | -                  | (26,450)  |
| Profit for the period   | -   | -             | -                     | -                   | -                  | -                   | 603,396          | 603,396   | -                  | 603,396   |
| Total recognised income for the period  | -   | -             | -                     | 284,508             | -                  | 475                 | 603,396          | 888,379   | -                  | 888,379   |
| Repurchase of shares  | (119)   | (35,731)      | -                     | -                   | 119                | -                   | (119)            | (35,850)  | -                  | (35,850)  |
| Dividend paid   | -   | -             | -                     | -                   | -                  | -                   | (11,425)         | (11,425)  | -                  | (11,425)  |
| At 30th June 2006   | 2,856   | 635,562       | 1,064                 | 315,012             | 2,084              | 945                 | 1,168,513        | 2,126,036 | 16,798             | 2,142,834 |
| At 1st January 2007   | 2,829   | 625,061       | 1,274                 | 432,100             | 2,111              | 969                 | 1,334,703        | 2,399,047 | 16,847             | 2,415,894 |
| Fair value changes on available-for-sale investments                                | -   | -             | -                     | 32,111              | -                  | -                   | -                | 32,111    | -                  | 32,111    |
| Exchange difference arising from translation of overseas operations                 | -   | -             | -                     | -                   | -                  | 1,462               | -                | 1,462     | -                  | 1,462     |
| Net income recognised directly in equity  | -   | -             | -                     | 32,111              | -                  | 1,462               | -                | 33,573    | -                  | 33,573    |
| Realised upon disposal of available-for-sale investments                            | -   | -             | -                     | 596                 | -                  | -                   | -                | 596       | -                  | 596       |
| Profit for the period   | -   | -             | -                     | -                   | -                  | -                   | 528,424          | 528,424   | 8,997              | 537,421   |
| Total recognised income and expense for the period                                  | -   | -             | -                     | 32,707              | -                  | 1,462               | 528,424          | 562,593   | 8,997              | 571,590   |
| Disposal of a subsidiary  | -   | -             | -                     | -                   | -                  | -                   | -                | -         | (16,798)           | (16,798)  |
| Reversed previously recognised changes in fair value of investment held for trading | -   | -             | -                     | -                   | -                  | -                   | 68,266           | 68,266    | -                  | 68,266    |
| Changes in equity of SAC (as defined in note 4) on previously held interest         | -   | -             | -                     | -                   | -                  | -                   | (74)             | (74)      | -                  | (74)      |
| Repurchase of shares  | (63)  | (29,027)      | -                     | -                   | 63                 | -                   | (63)             | (29,090)  | -                  | (29,090)  |
| Dividend paid   | -   | -             | -                     | -                   | -                  | -                   | (11,084)         | (11,084)  | -                  | (11,084)  |
| At 30th June 2007   | 2,766   | 596,034       | 1,274                 | 464,807             | 2,174              | 2,431               | 1,920,172        | 2,989,658 | 9,046              | 2,998,704 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2007

|   | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|
|   | 30.6.2007<br>HK\$'000<br>(unaudited) | 30.6.2006<br>HK\$'000<br>(unaudited) |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>  | <b>(265,928)</b>                     | (103,698)                            |
| <b>INVESTING ACTIVITIES</b>   |                                      |                                      |
| Net proceeds from disposal of available-for-sale investments                                  | 1,434                                | 41,200                               |
| Net proceeds from redemption of loan notes  | –                                    | 39,504                               |
| Deposits received for the disposal of a subsidiary  | –                                    | 30,027                               |
| Dividend received   | 6,770                                | 10,409                               |
| Other investing activities  | 6,216                                | 8,017                                |
| <b>CASH FROM INVESTING ACTIVITIES</b>   | <b>14,420</b>                        | 129,157                              |
| <b>FINANCING ACTIVITIES</b>   |                                      |                                      |
| New other borrowings raised   | 1,721,041                            | 719,295                              |
| Repayments of other borrowings  | (1,446,805)                          | (657,877)                            |
| Dividend paid   | –                                    | (11,422)                             |
| Repurchase of shares  | (29,090)                             | (35,850)                             |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>   | <b>245,146</b>                       | 14,146                               |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                                   | <b>(6,362)</b>                       | 39,605                               |
| <b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>   | <b>1,462</b>                         | 475                                  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>                                   | <b>58,007</b>                        | 16,819                               |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b><br>represented by bank balance and cash | <b>53,107</b>                        | 56,899                               |

**Notes:–****1. BASIS OF PREPARATION**

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

**2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2006 except as described below.

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for at fair value with changes in fair value included in profit or loss, cumulative changes in the fair value of previously held ownership interests are reversed through profit or loss and retained profits respectively. The investee’s profit or loss, changes in the investee’s retained profits and other equity balances after each exchange transaction are included in the profit or loss, retained profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

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

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January 2007.

|                    |  |
|--------------------|--|
| HKAS 1 (Amendment) | Capital disclosures <sup>1</sup>   |
| HKFRS 7            | Financial instruments: Disclosures <sup>1</sup>  |
| HK(IFRIC) – Int 7  | Applying the restatement approach under HKAS29<br>Financial Reporting in Hyperinflationary<br>Economies <sup>2</sup> |
| HK(IFRIC) – Int 8  | Scope of HKFRS 2 <sup>3</sup>  |
| HK(IFRIC) – Int 9  | Reassessment of embedded derivatives <sup>4</sup>  |
| HK(IFRIC) – Int 10 | Interim financial reporting and impairment <sup>5</sup>  |

<sup>1</sup> Effective for accounting periods beginning on or after 1st January 2007

<sup>2</sup> Effective for accounting periods beginning on or after 1st March 2006.

<sup>3</sup> Effective for accounting periods beginning on or after 1st May 2006.

<sup>4</sup> Effective for accounting periods beginning on or after 1st June 2006.

<sup>5</sup> Effective for accounting periods beginning on or after 1st November 2006.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

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

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

|                    |   |
|--------------------|---|
| HKAS 23 (Revised)  | Borrowing costs <sup>1</sup>                                |
| HKFRS 8            | Operating segments <sup>1</sup>                             |
| HK(IFRIC) – Int 11 | HKFRS 2: Group and Treasury Share Transactions <sup>2</sup> |
| HK(IFRIC) – Int 12 | Service concession arrangements <sup>3</sup>                |

<sup>1</sup> Effective for accounting periods beginning on or after 1st January 2009.

<sup>2</sup> Effective for accounting periods beginning on or after 1st March 2007.

<sup>3</sup> Effective for accounting periods beginning on or after 1st January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. BUSINESS INFORMATION

#### Business segments

The Group is currently organised into four main operating divisions – securities trading and investments, financial services, property investment and mobile phone distribution. These divisions are the bases on which the Group reports its primary segment information.

*Segment information about these business is presented below:*

*For the six months ended 30th June 2007*

|                                     | Continuing operations                                |                                   |                                    | Discontinued operation |   | Consolidated<br>HK\$'000 |
|-------------------------------------|--|-----------------------------------|------------------------------------|------------------------|---|--------------------------|
|                                     | Securities<br>trading and<br>investments<br>HK\$'000 | Financial<br>services<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total                  | Mobile<br>phone<br>distribution<br>HK\$'000 |                          |
|                                     |  |                                   |                                    | HK\$'000               | HK\$'000                                    |                          |
| Turnover                            | 1,106,914  | 6,497                             | 2,294                              | 1,115,705              | 7,681                                       | 1,123,386                |
| Segment result                      | 582,157  | 6,492                             | 16,354                             | 605,003                | (3,199)                                     | 601,804                  |
| Unallocated other income            |  |                                   |                                    | 12,929                 | 1,678                                       | 14,607                   |
| Unallocated corporate<br>expenses   |  |                                   |                                    | (7,809)                | -   | (7,809)                  |
| Share of profits of<br>an associate |  |                                   |                                    | 609                    | -   | 609                      |
| Finance costs                       |  |                                   |                                    | (8,994)                | -   | (8,994)                  |
| Profit before taxation              |  |                                   |                                    | 601,738                | (1,521)                                     | 600,217                  |
| Taxation                            |  |                                   |                                    | (62,769)               | (27)  | (62,796)                 |
| Profit for the period               |  |                                   |                                    | 538,969                | (1,548)                                     | 537,421                  |

### 3. BUSINESS INFORMATION (Continued)

#### Business segments (Continued)

For the six months ended 30th June 2006

|                                     | Continuing operations                                |                                   |                                    | Discontinued operation |   | Consolidated<br>HK\$'000 |
|-------------------------------------|--|-----------------------------------|------------------------------------|------------------------|---|--------------------------|
|                                     | Securities<br>trading and<br>investments<br>HK\$'000 | Financial<br>services<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total<br>HK\$'000      | Mobile<br>phone<br>distribution<br>HK\$'000 |                          |
| Turnover                            | 506,932  | 3,683                             | 1,761                              | 512,376                | 31,432                                      | 543,808                  |
| Segment result                      | 633,168  | 3,950                             | (402)                              | 636,716                | (4,562)                                     | 632,154                  |
| Gain on disposal of<br>an associate |  |                                   |                                    | 1,740                  | -   | 1,740                    |
| Unallocated other income            |  |                                   |                                    | 1,463                  | 11  | 1,474                    |
| Unallocated corporate<br>expenses   |  |                                   |                                    | (19,147)               | -   | (19,147)                 |
| Finance costs                       |  |                                   |                                    | (3,225)                | -   | (3,225)                  |
| Profit before taxation              |  |                                   |                                    | 617,547                | (4,551)                                     | 612,996                  |
| Taxation                            |  |                                   |                                    | (9,600)                | -   | (9,600)                  |
| Profit for the period               |  |                                   |                                    | 607,947                | (4,551)                                     | 603,396                  |

#### 4. NET GAIN ON INVESTMENTS

|  | <b>Six months ended</b> |           |
|--|-------------------------|-----------|
|  | <b>30.6.2007</b>        | 30.6.2006 |
|  | <b>HK\$'000</b>         | HK\$'000  |
| Net realised (loss) gain on derivatives                                | <b>(7,366)</b>          | 4,609     |
| Net realised gain on disposal of investments held for trading          | <b>117,368</b>          | 135,882   |
| Fair value changes on investments held for trading (Note)              | <b>463,178</b>          | 454,535   |
| Net realised (loss) gain on disposal of available-for-sale investments | <b>(596)</b>            | 26,450    |
| Discount on early redemption of loan notes                             | –                       | (3,961)   |
|  | <b>572,584</b>          | 617,515   |

*Note:* Fair value changes on investments held for trading excludes fair value gain on the Group's 9.99% equity interest in Shanghai Allied Cement Limited ("SAC") from the beginning of the current financial period till 29th June 2007, the date when the Group obtained significant influence of SAC resulting from the additional acquisition of 17% equity interest in SAC (Note 12).

#### 5. FINANCE COSTS

The finance costs represent interest on bank and other borrowings wholly repayable within five years.

## 6. TAXATION

|                                   | Continuing operations |           | Discontinued operation |           | Consolidated     |           |
|-----------------------------------|-----------------------|-----------|------------------------|-----------|------------------|-----------|
|                                   | Six months ended      |           | Six months ended       |           | Six months ended |           |
|                                   | 30.6.2007             | 30.6.2006 | 30.6.2007              | 30.6.2006 | 30.6.2007        | 30.6.2006 |
|                                   | HK\$'000              | HK\$'000  | HK\$'000               | HK\$'000  | HK\$'000         | HK\$'000  |
| The current tax comprises:        |                       |           |                        |           |                  |           |
| Hong Kong Profits Tax             | 61,034                | 9,600     | 27                     | -         | 61,061           | 9,600     |
| Enterprise income tax<br>in China | 1,735                 | -         | -                      | -         | 1,735            | -         |
|                                   | <b>62,769</b>         | 9,600     | <b>27</b>              | -         | <b>62,796</b>    | 9,600     |

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both periods.

Enterprise income tax in China is calculated at 33.3% of estimated assessable profit for both periods except for the subsidiary which is eligible for certain tax holidays and concessions on China income tax.

## 7. DISCONTINUED OPERATION

The Group ceased the business operation of mobile phone distribution in year 2007.

The results of the discontinued operation which represented the mobile phone distribution operation for the period were as follows:

|                                      | <b>Six months ended</b>             |                       |
|--------------------------------------|-------------------------------------|-----------------------|
|                                      | <b>30.6.2007</b><br><b>HK\$'000</b> | 30.6.2006<br>HK\$'000 |
| Turnover                             | <b>7,681</b>                        | 31,432                |
| Cost of sales                        | <b>(8,072)</b>                      | (28,867)              |
| Other income                         | <b>1,678</b>                        | 11                    |
| Distribution expenses                | <b>(1,050)</b>                      | (2,424)               |
| Administrative and other expenses    | <b>(1,758)</b>                      | (1,116)               |
| Allowance for bad and doubtful debts | –                                   | (3,587)               |
| Loss before taxation                 | <b>(1,521)</b>                      | (4,551)               |
| Taxation                             | <b>(27)</b>                         | –                     |
| Loss for the period                  | <b>(1,548)</b>                      | (4,551)               |

## 8. PROFIT FOR THE PERIOD

|   | Continuing operations |                       | Discontinued operation |                       | Consolidated          |                       |
|---|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|
|   | Six months ended      |                       | Six months ended       |                       | Six months ended      |                       |
|   | 30.6.2007<br>HK\$'000 | 30.6.2006<br>HK\$'000 | 30.6.2007<br>HK\$'000  | 30.6.2006<br>HK\$'000 | 30.6.2007<br>HK\$'000 | 30.6.2006<br>HK\$'000 |
| Profit for the period has<br>been arrived at after<br>charging (crediting): |                       |                       |                        |                       |                       |                       |
| Staff costs including<br>directors' emoluments                              | 3,021                 | 15,719                | 945                    | 1,719                 | 3,966                 | 17,438                |
| (Reversal) write-down of<br>inventories                                     | -                     | -                     | (1,117)                | 3,587                 | (1,117)               | 3,587                 |
| Depreciation and<br>amortisation  | 144                   | 218                   | 311                    | 93                    | 455                   | 311                   |
| Interest income   | (4,974)               | (8,436)               | (33)                   | (31)                  | (5,007)               | (8,467)               |

## 9. DIVIDENDS

|  | Six months ended      |                       |
|--|-----------------------|-----------------------|
|  | 30.6.2007<br>HK\$'000 | 30.6.2006<br>HK\$'000 |
| Dividend recognised as distribution<br>– HK\$0.04 per share (2006: HK\$0.04) | 11,084                | 11,425                |
| Interim dividend, proposed<br>– HK\$0.01 per share (2006: HK\$0.01)          | 2,762                 | 2,855                 |

## 10. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

|  | <b>Six months ended</b>     |                     |
|--|-----------------------------|---------------------|
|  | <b>30.6.2007</b>            | 30.6.2006           |
|  | <b>HK\$'000</b>             | HK\$'000            |
| Earnings for the purpose of<br>basic earnings per share attributable<br>to the equity holders of the Company | <b>528,424</b>              | 603,396             |
|  | <b>Number<br/>of shares</b> | Number<br>of shares |
| Weighted average number of<br>ordinary shares for the purposes of<br>basic earnings per share                | <b>280,790,340</b>          | 293,554,554         |

## 10. EARNINGS PER SHARE (Continued)

### From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

|  | <b>Six months ended</b>             |                       |
|--|-------------------------------------|-----------------------|
|  | <b>30.6.2007</b><br><b>HK\$'000</b> | 30.6.2006<br>HK\$'000 |
| Earnings for the period attributable to equity holders of the Company            | <b>528,424</b>                      | 603,396               |
| Add: Loss for the period from discontinued operation                             | <b>1,548</b>                        | 4,551                 |
|  | <hr/>                               |                       |
| Earnings for the purposes of basic earnings per share from continuing operations | <b>529,972</b>                      | 607,947               |
|  | <hr/> <hr/>                         |                       |

The denominators used are the same as those detailed above for basic earnings per share.

### From discontinued operation

Basic loss per share for the discontinued operation is HK\$0.006 per share (2006: HK\$0.016 per share). The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK\$1,548,000 (2006: loss for the period of HK\$4,551,000) attributable to the ordinary equity holders of the Company and the denominators detailed above for basic earnings per share.

## **11. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT**

The directors consider that the fair values of the buildings included in property, plant and equipment at 30th June 2007 are not materially different from the professional valuation made at 31st December 2006 and, accordingly, no fair value changes have been recognised in the current period.

The Group's investment properties were fair valued by the directors.

## **12. INTEREST IN AN ASSOCIATE**

During the current period, the Group acquired an additional 17% equity interest in SAC ("Acquisition"). Before the Acquisition, the Group had 9.99% equity interest in SAC and the investment was accounted for as investments held for trading. Following the completion of the Acquisition on 29 June 2007, the Group has 26.99% beneficially interest in SAC and is able to exercise significant influence on SAC. Accordingly, SAC has become an associate of the Group.

On 29th June 2007, the cumulative fair value changes of the Group's 9.99% equity interest in SAC was accounted for as explained in note 2.

At the balance sheet date, the total number of SAC shares held by the Group was 196,858,680 and the quoted market price was HK\$3.28.

### 13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors. An aged analysis of trade debtors is as follows:

|  | <b>30.6.2007</b> | 31.12.2006 |
|--|------------------|------------|
|  | <b>HK\$'000</b>  | HK\$'000   |
| Within 90 days                             | <b>2,790</b>     | 4,392      |
| 91 – 180 days                              | <b>2,755</b>     | 992        |
| 181 – 360 days                             | <b>2,266</b>     | 258        |
| Over 360 days                              | <b>259</b>       | –          |
|  | <b>8,070</b>     | 5,642      |
| Other debtors, deposits and<br>prepayments | <b>101,260</b>   | 28,066     |
|  | <b>109,330</b>   | 33,708     |

### 14. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLE

An aged analysis of trade creditors is as follows:

|   | <b>30.6.2007</b> | 31.12.2006 |
|---|------------------|------------|
|   | <b>HK\$'000</b>  | HK\$'000   |
| Trade creditors due within 90 days                    | –                | 1,008      |
| Other creditors, accrued charges and<br>other payable | <b>134,719</b>   | 54,472     |
|   | <b>134,719</b>   | 55,480     |

## 15. OTHER BORROWINGS

Other borrowings represent securities margin financing received from stock broking, futures and options broking houses. The entire borrowings are secured by the Group's pledged marketable securities, repayable on demand and bear interest at prevailing market rates.

## 16. SHARE CAPITAL

|   | <b>Number<br/>of shares</b> | <b>Share<br/>capital<br/>HK\$'000</b> |
|---|-----------------------------|---------------------------------------|
| Ordinary shares of HK\$0.01 each            |                             |                                       |
| Authorised:                                 |                             |                                       |
| At 30th June 2007 and<br>31st December 2006 | 30,000,000,000              | 300,000                               |
| Issued and fully paid:                      |                             |                                       |
| At 1st January 2007                         | 282,883,547                 | 2,829                                 |
| Repurchase of shares                        | (6,240,000)                 | (63)                                  |
| <b>At 30th June 2007</b>                    | <b>276,643,547</b>          | <b>2,766</b>                          |

## 17. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks and securities houses to secure short term credit facilities granted to the Group:

|                                   | <b>30.6.2007</b><br><b>HK\$'000</b> | 31.12.2006<br>HK\$'000 |
|-----------------------------------|-------------------------------------|------------------------|
| Investment properties             | <b>26,640</b>                       | 26,640                 |
| Investments held for trading      | <b>2,352,959</b>                    | 1,210,235              |
| Available-for-sale investments    | <b>175,321</b>                      | 115,607                |
| Securities brokers house deposits | <b>199</b>                          | 196                    |
|                                   | <b>2,555,119</b>                    | 1,352,678              |

## 18. DISPOSAL OF A SUBSIDIARY

The net assets of the non-wholly owned subsidiary at the date of disposal were as follows:

|  | <b>3.4.2007</b><br><b>HK\$'000</b> |
|--|------------------------------------|
| Net assets disposed of   | <b>84,559</b>                      |
| Minority interest  | <b>16,798</b>                      |
|  | <b>101,357</b>                     |
| Total consideration satisfied by:                                      |                                    |
| Deposits received in advance   | <b>30,027</b>                      |
| Deferred consideration included in debtors,<br>deposits and prepayment | <b>71,330</b>                      |
|  | <b>101,357</b>                     |
| Net cash outflow arising on disposal:                                  |                                    |
| Bank balances and cash disposed of                                     | <b>1</b>                           |

The assets and liabilities related to this subsidiary have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31st December 2006.

The assets held by the subsidiary are mainly investment properties. The fair value gain of HK\$14,707,000 on these investment properties upon the disposal was recognised in the condensed consolidated income statement during the period.

## 19. POST BALANCE SHEET EVENTS

On 11th July 2007, Famous Mount Investments Limited (“Famous Mount”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Printronics Group Limited and Shougang Concord Technology Holdings Limited pursuant to which Famous Mount has agreed to purchase 40% of entire issued share capital of Printronics Electronics Limited (“Printronics Electronics”), a company incorporated in Hong Kong, for an aggregate consideration of HK\$181,806,698. Printronics Electronics is an investment holding company and its associate is principally engaged in the manufacturing and sale of printed circuit boards. Following completion of the acquisition, Printronics Electronics will become an associate of the Group. The transaction was completed on 18th July 2007.

## INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK\$0.01 per share (2006: HK\$0.01), amounting to approximately HK\$2,762,000 (2006: HK\$2,855,000) to shareholders whose names appear on the Register of Members of the Company on 18th October 2007. Dividend warrants are expected to be dispatched on or before 5th November 2007.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16th October 2007 to Thursday, 18th October 2007, both days inclusive, during which no share transfer will be effected. In order to qualify for the proposed interim dividend for the six months ended 30th June 2007, all transfer of shares duly accompanied by the relevant certificates must be lodged with the Company’s branch registrar in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Monday, 15th October 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the six months ended 30th June 2007, the Group's turnover increased by 117.8% to HK\$1,115,705,000 (2006: HK\$512,376,000) and net profit attributable to shareholders decreased by 12.4% to HK\$528,424,000 (2006: HK\$603,396,000). The earnings per share of the Company decreased by 8.7% to HK\$1.88 (2006: HK\$2.06).

As at 30th June 2007, the Group's net asset value per share increased by 45.9% to HK\$10.80 (2006: HK\$7.40).

### REVIEW OF OPERATIONS

For the first half of 2007, the Group's business in trading and investment in financial securities recorded a turnover of HK\$1,106,914,000 (2006: HK\$506,932,000) and achieved a profit of HK\$582,157,000 (2006: HK\$633,168,000). The major profit contribution were from realised and unrealised gain on investments of HK\$572,584,000 (2006: HK\$617,515,000) and dividend income from listed investments of HK\$6,770,000 (2006: HK\$10,409,000). Following the upward trend of 2006, the global financial markets continued to rally in the first half of 2007 and amidst this buoyant investor sentiment, the Group took the opportunity to realize part of its trading portfolio of listed shares, including shares of Allied Group Limited and Mulpha International Limited.

The Group's money lending business recorded a turnover of mainly interest income of HK\$6,497,000 (2006: HK\$3,683,000) and a profit of HK\$6,492,000 (2006: HK\$3,950,000) during the period under review. As at 30th June 2007, the Group's loan portfolio amounted to HK\$121,122,000 (2006: HK\$101,219,000).

Of the Group's investment properties located in Hong Kong and China, a turnover of HK\$2,294,000 (2006: HK\$1,761,000) and a profit of HK\$16,354,000 (2006: Loss of HK\$402,000) was achieved, mainly due to the gain of HK\$14,707,000 from fair value changes upon the disposal of interest in an investment property located at Buji Town in Shenzhen, China for a consideration to RMB102,550,000. As at 30th June 2007, the Group's investment properties portfolio amounted to HK\$84,085,000 (2006: HK\$55,619,000).

The Group's mobile handset distribution business had persistently showed losses in recent years. With no positive prospect of improvement in sight and in order to avoid further losses, the Group decided to discontinue the operations and the cessation of this business was effected in March 2007.

On 9th May 2007, the Group entered into a placing agreement to acquire 124 million shares of Shanghai Allied Cement Limited ("SAC"), representing approximately 17% of SAC's issued share capital, for an aggregate consideration of about HK\$87.8 million. Following the completion of the placing, the Group's shareholding in SAC has increased to approximately 27%, making SAC an associate of the Group. SAC is an investment holding company and through its subsidiaries ("the SAC Group") engages in the manufacture and distribution of clinker, cement and slag powder.

## **FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES**

The Group continued to maintain a strong financial position. As at 30th June 2007, the Group's non current assets consisted mainly of investment properties of HK\$84,085,000 (2006: HK\$55,619,000); property, plant and equipment of HK\$3,159,000 (2006: HK\$4,229,000); prepaid lease payments of HK\$1,026,000 (2006: HK\$2,453,000), interest in an associate of HK\$181,335,000 (2006: Nil) and long term investments of HK\$642,793,000 (2006: HK\$490,967,000). These non-current assets were principally financed by shareholders' funds. As at 30th June 2007, the Group had net current assets of HK\$2,086,306,000 (2006: HK\$1,589,569,000) and current ratio of 4.1 times (2006: 7.2 times) calculated on the basis of the Group's current assets over current liabilities.

All the Group's borrowings are arranged on a short term basis in Hong Kong Dollars, repayable within one year and secured on certain investment properties, investments held for trading, available-for-sale investments and securities brokers house deposit. As at 30th June 2007, the Group had borrowings of HK\$444,336,000 (2006: HK\$162,404,000) and a gearing ratio of 13.1% (2006: 5.0%), calculated on the basis of the Group's net borrowings (after bank balances and cash) over shareholders' fund.

During the first half of 2007, the issued share capital of the Company was further reduced from HK\$2,828,835 to HK\$2,766,435 as a result of the repurchase of 6,240,000 (2006: 11,856,000) shares, with par value HK\$0.01 each, for an aggregate consideration of HK\$29,089,800 (2006: HK\$35,849,440).

During the period under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, RMB, Taiwan Dollar and Malaysian Ringgit. Because of its short term nature, the Group had not actively hedged risks arising from the Australian Dollar, RMB and Malaysian Ringgit denominated assets and transactions. As the exchange rates of the Taiwan Dollar were relatively stable during the period, the Group was not materially affected by its exposure to these currencies.

## CHARGE ON GROUP ASSETS

As at 30th June 2007, the Group's investment properties, investments held for trading, available-for-sale investments, bank balances and cash, and securities brokers house deposit with respective carrying values of HK\$26,640,000 (2006: HK\$22,100,000), HK\$2,352,959,000 (2006: HK\$1,183,168,000), HK\$175,321,000 (2006: HK\$45,369,000), nil (2006: HK\$10,702,000) and HK\$199,000 (2006: nil) were pledged to banks and securities brokers house to secure short term credit facilities granted to the Group.

## EMPLOYEES

The Group had 14 employees as at 30th June 2007 (2006: 33). The Group ensures that its employees are remunerated in line with market conditions and individual performance and our remuneration policies are reviewed on a regular basis.

## PROSPECTS

The recent volatility experienced by the global financial markets has adversely affected the investment environment. The concerns about the well-being of the US economy continue to influence investor sentiments as the contagious effect of the sub-prime mortgage debt delinquency has led to other problems like the tightening of liquidity, slow-down in economic growth and even the possibility of recession. It will be very challenging for the Group in the second half of the year to sustain a satisfactory performance. Nevertheless, as a value investor, the Group will constantly review and adjust its investment strategies and investment portfolio for improvement and will continue in seeking and identifying undervalued investment and business opportunities in the China, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

In line with the above strategy, on 11th July 2007, the Group entered into a sale and purchase agreement to acquire 40% of the issued share capital of Printronics Electronics Limited (“PEL”) for an aggregate consideration of approximately HK\$181.8 million. Following the completion of the transaction on 18th July 2007, PEL became an associate of the Group. PEL is an investment holding company and is the registered and beneficial owner of 41,319,704 fully paid up shares of Tianjin Printronics Circuit Corporation (“TPC”), representing approximately 21.01% of the equity of TPC. TPC is a company incorporated in China and its shares are listed as “A-Share” on the Shenzhen Stock Exchange. The principal business activity of TPC is the manufacture and sale of printed circuit boards.

On 26th July 2007, SAC Group entered into a conditional agreement (the “Conditional Agreement”) to purchase the entire issued share capital of a company engaged in the business of gold mining in China. The consideration under the Conditional Agreement will be settled by both cash and new shares of SAC. SAC is in the process of preparing an announcement to comply with the requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and will issue such announcement in due course. The Group believes that this acquisition represents a good opportunity for the SAC Group to develop its investment and business in the natural resources sector and will enable the SAC Group to increase its earnings by diversifying into the potentially profitable gold mining business in China, which, in turn, will enhance the value for the Group’s shareholders.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June 2007, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to 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 Issuers (the "Model Code") were as follows:-

### Long position in the shares of the Company

| Name of Director                  | Number of ordinary shares of HK\$0.01 each |                  |                     |                 | Total       | Percentage of issued ordinary shares |
|-----------------------------------|--|------------------|---------------------|-----------------|-------------|--------------------------------------|
|                                   | Personal interests                         | Family interests | Corporate interests | Other interests |             |                                      |
| Ms. Chong Sok Un<br>("Ms. Chong") | -  | -                | 106,484,400         | -               | 106,484,400 | 38.01%                               |
|                                   |  |                  | (Note)              |                 |             |                                      |

*Note:* As at 30th June 2007, Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited ("China Spirit") held 106,484,400 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interests in 106,484,400 ordinary shares of the Company.

Save as disclosed above, as at 30th June 2007, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any 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 maintained by the Company pursuant to 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

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company or any other body corporate.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June 2007, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:–

### Long position in the shares of the Company

| Name  | Capacity                                | Number of ordinary shares held | Percentage of issued ordinary shares |
|---|---|--------------------------------|--------------------------------------|
| Ms. Chong Sok Un<br>("Ms. Chong")                 | Held by controlled corporation (Note 1) | 106,484,400                    | 38.01%                               |
| China Spirit Limited<br>("China Spirit")          | Held by controlled corporation (Note 1) | 106,484,400                    | 38.01%                               |
| Vigor Online Offshore Limited<br>("Vigor Online") | Beneficial owner                        | 106,484,400                    | 38.01%                               |
| Mr. John Zwaanstra<br>("Mr. Zwaanstra")           | Held by controlled corporation (Note 2) | 14,068,000                     | 5.02%                                |
| Penta Investment Advisers Limited ("Penta")       | Investment Manager (Note 3)             | 14,068,000                     | 5.02%                                |

*Notes:*

1. Vigor Online is a wholly-owned subsidiary of China Spirit in which Ms. Chong maintains 100% beneficial interest. Accordingly, China Spirit and Ms. Chong are deemed to be interested in 106,484,400 ordinary shares under the SFO.
2. Mr. Zwaanstra has an interest in 100% of Penta. Accordingly, Mr. Zwaanstra is deemed to be interested in 14,068,000 ordinary shares.
3. Penta has an interest in 14,068,000 ordinary shares as an investment manager, and acts through its wholly-owned subsidiaries.

Save as disclosed above, as at 30th June 2007, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

**PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the period, the Company repurchased a total of 6,240,000 ordinary shares in the capital of the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") in the range from HK\$3.15 to HK\$6.55 for a total consideration of HK\$29,089,800. The said shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30th June 2007.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct regarding Director’s securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30th June 2007.

By Order of the Board

**Chong Sok Un**

*Chairman*

Hong Kong, 13th September 2007

*As at the date of this report, the Board comprises Ms. Chong Sok Un (Chairman), Dato’ Wong Peng Chong and Mr. Kong Muk Yin as executive directors and Messrs. Lo Wai On, Lau Siu Ki and Zhang Jian as independent non-executive directors.*