



2009

INTERIM REPORT

中期報告



南海控股

NAN HAI CORPORATION LIMITED

南海控股有限公司
Nan Hai Corporation Limited

股份代號: 680
Stock Code: 680

CORPORATION INFORMATION

DIRECTORS

Executive

Mr. YU Pun Hoi (*Chairman*)

Ms. CHEN Dan

Ms. LIU Rong

Mr. WANG Gang

Non-executive

Mr. QIN Tian Xiang

Mr. LAM Bing Kwan

Independent Non-executive

Mr. HUANG Yaowen

Prof. JIANG Ping

Mr. LAU Yip Leung

COMPANY SECRETARY

Mr. WATT Ka Po James

AUDITORS

Grant Thornton

Certified Public Accountants

Hong Kong

LEGAL ADVISERS

K&L Gates

BERMUDA LEGAL ADVISERS

Appleby

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Bermuda

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

STOCK CODE

680

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

<http://www.nanhaicorp.com>

INTERIM RESULTS

The directors of Nan Hai Corporation Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative figures for 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2009

		For the six months ended 30 June	
	Notes	2009 HK\$'000	2008 HK\$'000 (Restated)
Revenue/Turnover	5	256,074	227,962
Cost of sales and services provided		(84,505)	(64,857)
Gross profit		171,569	163,105
Other operating income	5	27,305	5,021
Gain on disposal of a subsidiary		–	48,714
Selling and marketing expenses		(164,395)	(127,171)
Administrative expenses		(176,977)	(149,467)
Other operating expenses		(65,688)	(64,014)
Finance costs	6	(189,335)	(19,316)
Share of results of associates		(2)	–
Loss before income tax	7	(397,523)	(143,128)
Income tax (expense)/credit	8	(9,078)	2,535
Loss for the period		(406,601)	(140,593)
Attributable to:			
Equity holders of the Company		(369,713)	(131,116)
Minority interests		(36,888)	(9,477)
Loss for the period		(406,601)	(140,593)
		HK cents	HK cents
Loss per share for loss attributable to the equity holders of the Company during the period	9		
– Basic		(0.539)	(0.191)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Loss for the period	(406,601)	(140,593)*
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translating foreign operations	(2,613)	127,885
Exchange differences realised on disposal of a subsidiary	–	(36,811)
Other comprehensive (loss)/income for the period, including reclassification adjustments and net of tax	(2,613)	91,074
Total comprehensive loss for the period	(409,214)	(49,519)
Attributable to:		
Equity holders of the Company	(371,904)	(32,835)
Minority interests	(37,310)	(16,684)
Total comprehensive loss for the period	(409,214)	(49,519)

* Restated

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		(Unaudited)	(Audited)
		30 June	31 December
		2009	2008
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		268,505	264,941
Investment property		11,851	12,015
Prepaid land lease payments under operating leases		57,367	58,111
Interests in associates		2,716	2,623
Available-for-sale financial assets		324	324
Deposits		228,293	176,084
Intangible assets		300,556	303,073
Deferred tax assets		7,977	7,990
		877,589	825,161
Current assets			
Inventories		8,272,174	7,921,036
Financial assets at fair value through profit or loss		249,025	346,432
Trade receivables	10	26,525	28,256
Deposits, prepayments and other receivables		1,050,811	1,367,513
Amount due from an associate		4,480	20
Tax prepaid		15,493	–
Pledged bank deposits		2,268	–
Cash and cash equivalents		1,064,683	211,145
		10,685,459	9,874,402
Current liabilities			
Trade payables	11	79,483	129,046
Other payables and accruals		2,265,626	671,552
Deferred revenue		49,234	54,731
Provision for tax		75,389	85,468
Amount due to a director		16,785	24,361
Amounts due to shareholders		5,006	5,006
Amount due to a minority shareholder		12,000	12,000
Amounts due to associates		19,091	5,507
Bank and other borrowings	12	1,443,090	1,430,658
Finance lease liabilities		189	249
		3,965,893	2,418,578
Net current assets		6,719,566	7,455,824
Total assets less current liabilities		7,597,155	8,280,985

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2009

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	Notes		
Non-current liabilities			
Bank and other borrowings	12	472,710	831,172
Finance lease liabilities		57	56
Finance from a third party		2,195,990	2,128,047
Amounts due to shareholders		452,687	437,482
Deferred tax liabilities		226,099	226,457
		3,347,543	3,623,214
Net assets		4,249,612	4,657,771

EQUITY**Equity attributable to the Company's equity holders**

Share capital	13	686,450	686,450
Reserves		2,706,132	3,076,981
		3,392,582	3,763,431
Minority interests		857,030	894,340
Total equity		4,249,612	4,657,771

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW – UNAUDITED

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	1,299,641	(343,616)
Net cash generated from investing activities	3,544	26,542
Net cash (used in)/generated from financing activities	(449,201)	189,359
Net increase/(decrease) in cash and cash equivalents	853,984	(127,715)
Cash and cash equivalents at 1 January	210,875	231,876
Effect of foreign exchange rate changes, on cash held	(446)	11,909
Cash and cash equivalents at 30 June	1,064,413	116,070
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	1,064,683	116,340
Bank overdrafts	(270)	(270)
	1,064,413	116,070

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2009

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	General reserve	Share option reserve	Exchange reserve	Retained profits/ (Accumulated losses)	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	686,450	965,881	1,933,719	16,409	2,283	146,394	337,388	4,088,524	955,358	5,043,882
Loss for the period, as restated	-	-	-	-	-	-	(131,116)	(131,116)	(9,477)	(140,593)
Other comprehensive income/(loss)										
- Exchange differences on translating foreign operations	-	-	-	-	-	135,092	-	135,092	(7,207)	127,885
- Exchange differences realised on disposal of a subsidiary	-	-	-	-	-	(36,811)	-	(36,811)	-	(36,811)
Total comprehensive income/(loss) for the period	-	-	-	-	-	98,281	(131,116)	(32,835)	(16,684)	(49,519)
Equity-settled share-based compensation expenses	-	-	-	-	86	-	-	86	-	86
Released on forfeiture of share options	-	-	-	-	(220)	-	220	-	-	-
At 30 June 2008	686,450	965,881	1,933,719	16,409	2,149	244,675	206,492	4,055,775	938,674	4,994,449
At 1 January 2009	686,450	965,881	1,933,719	16,428	2,120	313,453	(154,620)	3,763,431	894,340	4,657,771
Loss for the period	-	-	-	-	-	-	(369,713)	(369,713)	(36,888)	(406,601)
Other comprehensive loss										
- Exchange differences on translating foreign operations	-	-	-	-	-	(2,191)	-	(2,191)	(422)	(2,613)
Total comprehensive loss for the period	-	-	-	-	-	(2,191)	(369,713)	(371,904)	(37,310)	(409,214)
Equity-settled share-based compensation expenses	-	-	-	-	1,055	-	-	1,055	-	1,055
Released on forfeiture of share options	-	-	-	-	(2,120)	-	2,120	-	-	-
At 30 June 2009	686,450	965,881	1,933,719	16,428	1,055	311,262	(522,213)	3,392,582	857,030	4,249,612

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 21 September 2009.

2. PRIOR PERIOD ERROR

Reference is made to the announcement of the Company dated 24 April 2009. The board of directors of the Company (the “Board”) clarified that the interest payable to Sino-i Technology Limited (“Sino-i”), a listed subsidiary of the Company, for the six months ended 30 June 2008 in the amount of HK\$65,984,000 and the corresponding income tax payable by Sino-i concerning with such interest was omitted in the interim results for the six months ended 30 June 2008. As a result, income tax expense of the Group was understated and the loss attributable to minority interests was overstated. The correct figure of the loss attributable to the equity holders of the Company for the six months ended 30 June 2008 should be HK\$131,116,000 instead of HK\$101,408,000. Details of the restatements made in respect of the interim financial statements for the prior period are as follows:

Consolidated Income Statement

Items	Interim report 2008 HK\$'000	Restated HK\$'000
Income tax credit	9,935	2,535
Loss for the period	(133,193)	(140,593)
Loss attributable to equity holders of the Company	(101,408)	(131,116)
Loss attributable to minority interests	(31,785)	(9,477)
Basic loss per share	HK cents (0.148)	HK cents (0.191)

Certain comparative figures have been restated to reflect the rectification.

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2008, except that the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new and revised HKFRSs") that are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009.

HKAS 1 (Revised 2007) Presentation of Financial Statements has introduced a number of terminology changes, including revised titles for the condensed consolidated interim financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 Operating Segments is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally to the chief operating decision maker for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14, Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The adoption of HKFRS 8 has not materially affected the identified and reported operating segments for the Group, however, comparative figures have been represented on a basis consistent with the new standard.

Apart from certain presentation changes, the adoption of the new and revised HKFRSs has no material impact on the Group's results and financial position for the current and prior periods. Accordingly, no prior period adjustment is required.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2009. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and revised HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

4. SEGMENT INFORMATION

The Group is organised into several operating segments, financial information services, corporate IT application services, distance learning education services, property development and culture and media services. Other segments represent property management and trading of securities. Management of the Group measures the performance of its segments based on loss before income tax.

No sales are carried out between segments for the six months ended 30 June 2009.

4. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2009 are as follows:

	For the six months ended 30 June 2009							Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	Property development services HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
	Segment revenue							
– Sales to external customers	9,814	183,327	2,071	-	55,891	4,971	-	256,074
Segment loss before interest, taxes, depreciation and amortisation	(20,660)	(79,843)	(1,776)	(40,330)	(2,517)	(3,534)	-	(148,660)
Interest income	2	148	1	7,876	14	15	-	8,056
Finance costs	(4)	(2,977)	-	(14)	-	-	-	(2,995)
Depreciation and amortisation	(344)	(30,890)	(1,043)	(825)	(10,310)	(104)	-	(43,516)
Share of results of associates	-	-	-	-	(2)	-	-	(2)
Segment loss before income tax	(21,006)	(113,562)	(2,818)	(33,293)	(12,815)	(3,623)	-	(187,117)
Unallocated corporate income and expenses								(210,406)
Loss before income tax								(397,523)

The segment results for the six months ended 30 June 2008 are as follows:

	For the six months ended 30 June 2008							Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	Property development services HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
	Segment revenue							
– Sales to external customers	11,034	195,647	2,467	-	15,235	3,579	-	227,962
– Inter-segment sales	-	-	2,388	-	-	-	(2,388)	-
	11,034	195,647	4,855	-	15,235	3,579	(2,388)	227,962
Segment loss before interest, taxes, depreciation and amortisation	(17,527)	(57,392)	(1,970)	(29,579)	(4,115)	(2,282)	-	(112,865)
Interest income	3	213	3	953	1	-	-	1,173
Finance costs	(4)	(2,569)	-	(21)	-	(1,517)	-	(4,111)
Depreciation and amortisation	(417)	(31,969)	(205)	(585)	(148)	(36)	-	(33,360)
Gain on disposal of a subsidiary	-	-	-	48,714	-	-	-	48,714
Share of results of an associate	-	-	-	-	-	-	-	-
Segment (loss)/profit before income tax	(17,945)	(91,717)	(2,172)	19,482	(4,262)	(3,835)	-	(100,449)
Unallocated corporate income and expenses								(42,679)
Loss before income tax								(143,128)

4. SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 30 June 2009 are as follows:

	As at 30 June 2009							Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
Reportable segment assets	6,159	738,574	4,269	9,963,212	317,848	10,349	-	11,040,411
Interests in associates	-	-	-	-	2,716	-	-	2,716
Amount due from an associate	-	-	-	-	4,480	-	-	4,480
Total reportable segment assets	6,159	738,574	4,269	9,963,212	325,044	10,349	-	11,047,607
Unallocated corporate assets								515,441
Total assets								11,563,048
Reportable segment liabilities	21,990	272,318	2,303	3,995,861	90,146	4,683	-	4,387,301
Amount due to an associate	-	-	-	-	13,585	-	-	13,585
Total reportable segment liabilities	21,990	272,318	2,303	3,995,861	103,731	4,683	-	4,400,886
Amount due to an associate								5,506
Unallocated corporate liabilities								2,907,044
Total liabilities								7,313,436

The segment assets and liabilities as at 31 December 2008 are as follows:

	As at 31 December 2008							Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
Reportable segment assets	7,770	678,127	5,732	9,502,250	177,010	6,119	-	10,377,008
Interests in associates	-	-	-	-	2,623	-	-	2,623
Amount due from an associate	-	-	-	-	20	-	-	20
Total reportable segment assets	7,770	678,127	5,732	9,502,250	179,653	6,119	-	10,379,651
Unallocated corporate assets								319,912
Total assets								10,699,563
Reportable segment liabilities	21,683	190,491	2,172	2,641,084	76,861	4,608	-	2,936,899
Amount due to an associate								5,507
Unallocated corporate liabilities								3,099,386
Total liabilities								6,041,792

5. REVENUE/TURNOVER AND OTHER OPERATING INCOME

(a) The Group's turnover represents revenue from:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Corporate IT application services	183,327	195,647
Financial information services	9,814	11,034
Distance learning education services	2,071	2,467
Property management	4,971	3,579
Culture and media services	–	15,235
Ticketing income	48,008	–
Confectionery sales	7,883	–
	256,074	227,962

(b) Other operating income:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Interest income	8,097	1,303
Other interest income	10,015	–
Net fair value gain on financial assets at fair value through profit or loss	303	–
Government grants	2,949	–
Rental income	1,787	702
Sundry income	4,154	3,016
	27,305	5,021

6. FINANCE COSTS

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	91,703	91,122
Finance costs on finance from a third party wholly repayable within five years	171,134	–
Other payables	4	1,521
Finance leases	14	21
Amounts due to shareholders	15,206	15,206
Total financial costs on financial liabilities not at fair value through profit or loss	278,061	107,870
Less: Amounts directly attributable to properties held for and under development capitalised	(88,726)	(88,554)
	189,335	19,316

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Amortisation of intangible assets	16,491	17,183
Gross depreciation of property, plant and equipment		
– Owned assets	26,581	15,683
Less: Amounts capitalised in intangible assets	(220)	(159)
Net depreciation of property, plant and equipment		
– Owned assets	26,361	15,524
Depreciation of property, plant and equipment		
– Leased assets	125	208
Depreciation of investment property	144	–
Operating lease charges on prepaid land lease	654	640

8. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
Hong Kong Profits Tax		
Current tax expenses	7,423	5,260
PRC Enterprise Income Tax		
Current tax expense/(credit)	1,655	(7,795)
	9,078	(2,535)

For the six months ended 30 June 2009, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2008: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses (the "Tax Holidays"). These subsidiaries will continue to enjoy the tax exemption or 50% relief on the applicable PRC EIT rate until the expiry of the Tax Holidays previously granted, and thereafter they are subject to the unified rate of 25%. For those subsidiaries whose Tax Holidays had not commenced due to lack of taxable profit, such preferential tax treatment would be effective for the five years commencing from 1 January 2008 regardless whether the enterprises have a taxable profit. Thereafter they are subject to the unified rate of 25%.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (six months ended 30 June 2008: 15%).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the period of HK\$369,713,000 (6 months ended 30 June 2008 (restated): HK\$131,116,000) and on the weighted average number of 68,645,035,794 (6 months ended 30 June 2008: 68,645,035,794) ordinary shares in issue during the period.

The share options have no dilutive effect on the loss per share for the six months ended 30 June 2009 as the exercise price of the options outstanding during the period exceeds the average market price of ordinary shares.

Diluted loss per share for the six months ended 30 June 2008 are not presented because the impact of the exercise of the share options is anti-dilutive.

10. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. The aging analysis of trade receivables is as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
0-90 days	5,599	8,768
91-180 days	2,357	1,688
181-270 days	1,899	1,308
271-360 days	886	934
Over 360 days	31,957	30,611
Trade receivables, gross	42,698	43,309
Less: Provision for impairment of receivables	(16,173)	(15,053)
Trade receivables, net	26,525	28,256

11. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	30 June 2009	31 December 2008
	HK\$'000	HK\$'000
0-90 days	44,011	65,811
91-180 days	3,396	6,740
181-270 days	5,607	1,589
271-360 days	3,168	1,039
Over 360 days	23,301	53,867
	79,483	129,046

12. BANK AND OTHER BORROWINGS

	30 June 2009	31 December 2008
	HK\$'000	HK\$'000
Bank overdrafts	270	270
Bank loans	1,915,530	2,261,560
	1,915,800	2,261,830
Secured	1,915,530	2,261,560
Unsecured	270	270
	1,915,800	2,261,830

At 30 June 2009, the bank and other borrowings of the Group were repayable as follows:

	30 June 2009	31 December 2008
	HK\$'000	HK\$'000
Within one year	1,443,090	1,430,658
In the second year	464,853	539,405
In the third to fifth years	7,857	291,767
Wholly repayable within 5 years	1,915,800	2,261,830
Less: Portion due within one year under current liabilities	(1,443,090)	(1,430,658)
Portion due over one year under non-current liabilities	472,710	831,172

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2008, 31 December 2008 and 30 June 2009	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 30 June 2009	68,645,035,794	686,450

14. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	30 June 2009	31 December 2008
	HK\$'000	HK\$'000
Associates (note a)	12,801	12,412
Third parties (note b)	65,333	65,333
	78,134	77,745

Notes:

- (a) There have been no material developments in respect of pending litigation with Genius Reward Loan since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2008. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by Genius Reward.
- (b) According to the facts disclosed in the Group's annual audited financial statements for the year ended 31 December 2008, the Group also does not have updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"), therefore the fair value of the guarantee for ICBC Indebtedness cannot be ascertained.

15. CAPITAL COMMITMENTS

At 30 June 2009, the Group had outstanding capital commitments as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	197,561	197,875
– property, plant and equipment	29,350	43,763
	226,911	241,638

16. CREDIT FACILITIES

At 30 June 2009, the Group's credit facilities were secured by the following:

- (a) charge over prepaid lease payment for leasehold land with a net carrying value of HK\$57,367,000 (31 December 2008: HK\$58,111,000);
- (b) charge over buildings with a net carrying value of approximately HK\$21,527,000 (31 December 2008: HK\$22,345,000);
- (c) charge over investment property with a net carrying value of approximately HK\$11,851,000 (31 December 2008: HK\$12,015,000);
- (d) charge over certain properties held for and under development for sale with carrying value of HK\$222,967,000 (31 December 2008: HK\$223,084,000);
- (e) bank deposits of HK\$2,268,000 (31 December 2008: Nil);
- (f) personal guarantee given by a director; and
- (g) pledge of certain debts securities for a standby letter of credit issued by a financial institution for a maximum amount not exceeding US\$25,000,000.

In addition, at 31 December 2008, there were pledge of 2,346,993,316 shares in a subsidiary, Sino-i, held by the Company indirectly in favour of certain securities brokers, the total of which represents approximately 18.75% of total interest of the Company in Sino-i. The market value of such listed shares as at 31 December 2008 was approximately HK\$100,921,000. Also, several shareholders of the Company had pledged their interests in the Company for the Group's credit facilities as at 31 December 2008.

17. RELATED PARTY TRANSACTIONS

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Directors' fees	379	360
Basic salaries, housing, other allowances and benefits in kind	2,691	2,548
Pension scheme contributions	15	18
Share-based compensations	107	16
	3,192	2,942

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

18. LITIGATIONS

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2008.

19. EVENT AFTER THE REPORTING DATE

After the reporting date, the Group acquired certain convertible preferred stocks of Chinese Media Net Inc. ("CMN"), a company incorporated in Delaware, USA, at a consideration of approximately US\$2.7 million. The convertible preferred stocks carry voting right together with all other classes and mandatory dividends on a cumulative basis at the rate of 10% per annum. As a result, CMN has become an associated company of the Group. The main businesses of CMN are provision of online international and regional news and related analyses, distribution of media contents, both proprietary and licensed, on its website "www.duowei.com", and publication of newspapers and magazines in the eastern part of the USA.

20. COMPARATIVE FIGURES

Where necessary, certain comparative information has also been reclassified and expanded from previously reported interim financial statements to take into account any presentational changes made in these condensed consolidated interim financial statements upon adoptions of the new and revised HKFRSs.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the period, the Company was principally engaged in property development, culture and media services and through its listed subsidiary, Sino-i, engaged in corporate IT application services, financial information services and distance learning education services. Turnover and net loss attributable to equity holders of the Company were approximately HK\$256.1 million (6 months ended 30 June 2008: HK\$228.0 million) and HK\$369.7 million (6 months ended 30 June 2008 (restated): HK\$131.1 million) respectively. The net assets of the Group attributable to equity holders was approximately HK\$3,392.6 million (31 December 2008: HK\$3,763.4 million), representing a value of HK\$0.049 per share.

The substantial loss was mainly attributable to the followings:

1. the cost related to the financing of US\$275 million from a financial institution for financing construction costs and expenditures of the Group's flagship property project namely "The Peninsula";
2. increase in advertising expenses for the pre-sale campaign of the Phase 2 of "The Peninsula"; and
3. consolidation of significant loss by Sino-i.

The management views that the overall operations and financial position of the Group as a whole remain sound and solid after taking into account of the sales proceeds from the sale of the Phase 2 of "The Peninsula" project which will be recognized upon the transfer of ownership titles to the purchasers, which is expected to be taken place at the end of 2009.

The global financial crisis has seen signs to stabilize in mid-2009. In China, there are indicators showing significant economic recovery after implementation of a series of economic stimulus packages by the government. The Group does not anticipate a robust economic growth in the second half of the year and expects that it would remain moderate. However, the Group is seeing a strong rebound of the local property market, healthy expansion in domestic consumption and gradual improvement in trades. As a result, the market sentiment and consumer confidence will continue to improve.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OPERATION REVIEW *(continued)*

Property Development

During the period, this division did not launch any sales, so no turnover was recorded (6 months ended 30 June 2008: Nil).

Pre-sale of the Group's flagship project of Phase 2 of "The Peninsula" in Shekou, Shenzhen, was started in January 2009. As of August 2009, the Group has achieved over RMB2.5 billions in contracted sales of approximately 130,000 sq. m. out of the total of 199,050 sq. m. in saleable floor area of Phase 2 of "The Peninsula". This sales result will be reflected upon the transfer of ownership titles of the residential units to the purchasers, which is expected to be taken place at the end of 2009. In view of the sales trend in the first eight months of 2009, the Group is optimistic in the sale of the remaining units, and a strong cash inflow to the Group is expected.

In addition to "The Peninsula", the other one million sq. m. property project in Guangzhou has also started the main contractor tendering process. The project is expected to start construction later this year.

Corporate IT Application Services

During the period, turnover of this division was approximately HK\$183.3 million (6 months ended 30 June 2008: HK\$195.6 million) and the net loss before income tax was approximately HK\$113.6 million (6 months ended 30 June 2008 (restated): HK\$91.7 million).

The unfavourable economic environment has an impact on demand for IT application services in China. As a result, there was a decrease in turnover of the Group during the period. However, since the beginning of the second quarter of 2009, there are signs of improvement in demand for the IT application services in the market and in the sales of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OPERATION REVIEW *(continued)*

Financial Information Services

During the period, turnover of this division was approximately HK\$9.8 million (6 months ended 30 June 2008: HK\$11.0 million) and the net loss before income tax was approximately HK\$21.0 million (6 months ended 30 June 2008: HK\$17.9 million).

北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited), a subsidiary of Sino-i, will continue to invest in a prudent manner and promote its new product line. The Group is confident that the business performance of this division will improve in the near future, which in turn will generate satisfactory return for the Group because of growing financial market in China.

Distance Learning Education Services

During the period, turnover of this division was approximately HK\$2.1 million (6 months ended 30 June 2008: HK\$4.9 million) and the net loss before income tax was approximately HK\$2.8 million (6 months ended 30 June 2008: HK\$2.2 million).

This division has established strategic partnership with the relevant Education Bureau of China. Furthermore, new policies are introduced by the Education Bureau for encouraging distance learning education. As a result, the Group is well positioned to benefit from such development.

Culture and Media Services

During the period, the turnover of this division was approximately HK\$55.9 million (6 months ended 30 June 2008: HK\$15.2 million) and the net loss before income tax was approximately HK\$12.8 million (6 months ended 30 June 2008: HK\$4.3 million).

The Group will continue to focus on both the investment in and development of culture and media sector in 2009. Business of the culture and media services in 2009 will still remain in an active development stage, following the breakthrough achievement in 2008. As at 30 June 2009, there are 30 digital cinemas in operations with 88 screens and 19,070 seats. Additional 229 screens have been in installation stage of which not less than 55 screens are expected to be in operation in the second half of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OPERATION REVIEW *(continued)*

Culture and Media Services *(continued)*

A motion picture film namely “Confucius” jointly produced by a wholly-owned subsidiary of the Company and a domestic production company in China has finished its production, and is now in post-production stage. It is expected that the film’s premiere will be in early 2010. Initial response of the film from the overseas market is encouraging, so satisfactory box office is expected.

After the reporting date, the Group acquired certain convertible preferred stocks of Chinese Media Net Inc. (“CMN”), a company incorporated in Delaware, USA. The convertible preferred stocks carry voting right together with all other classes and mandatory dividends on a cumulative basis at the rate of 10% per annum. As a result, CMN has become an associated company of the Group. The main businesses of CMN are provision of online international and regional news and related analyses, distribution of media contents, both proprietary and licensed, on its website “www.duowei.com”, and publication of newspapers and magazines in the eastern part of the USA.

Apart from the cinema business in China, the Group may have an opportunity to widen its international exposure in other media sector.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2009, the net assets of the Group attributable to the equity holders amounted to approximately HK\$3,392.6 million (31 December 2008: HK\$3,763.4 million), including cash and bank balances of approximately HK\$1,064.7 million (31 December 2008: HK\$211.1 million) (which were denominated mainly in US dollars, Renminbi and Hong Kong dollars). As at 30 June 2009, the Group’s aggregate borrowings including shareholders’ loan were approximately HK\$4,564.7 million (31 December 2008: HK\$4,827.7 million), including approximately HK\$2,964.7 million (31 December 2008: HK\$2,566.1 million) were bearing interest at fixed rates while approximately HK\$1,600.0 million (31 December 2008: HK\$2,261.6 million) were bearing interest at floating rates. The gearing ratio of the Group which is net debt divided by the adjusted capital plus net debt, decreased from 49.78% as at 31 December 2008 to 45.15% as at 30 June 2009.

The Group’s contingent liabilities at 30 June 2009 were approximately HK\$78.1 million due to the guarantees given in connection with credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenues were primarily in Renminbi. It is expected that the exchange rate of Renminbi will continue to appreciate resulting from the continuous economic growth in China. The Group's reporting assets, liabilities and profits may be affected by the Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant during the period under review, the Group will keep on reviewing and monitoring the exchange risks between Renminbi and Hong Kong dollars. For the funding in US dollars, Hong Kong dollars has been linked to US dollars, and Hong Kong dollars are the reporting functional currency of the Group, the management of the Group considers the exposure on exchange risk is not significant. The Group may proceed to have some kind of foreign exchange hedging arrangements when appropriate and necessary.

EMPLOYEE

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave, etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 30 June 2009, the Group had approximately 8,333 employees (30 June 2008: 7,760 employees). The salaries of and allowances for employees for the six months ended 30 June 2009 were approximately HK\$225.6 million (6 months ended 30 June 2008: HK\$184.4 million).

PROSPECT

In view of the continuous improvement in the China's property market and the overall economy, the Group is optimistic towards the future property sales. The management of the Group is determined to establish our own product brand, timely replenish of the landbanks and manage the project development schedule more efficiently.

Cinema operation in China is a key area of the Group's future development. As of the date of this report, the Group is operating more than 33 cinemas with encouraging results. This business segment in China is still in its infancy stage and the Group strongly believes this investment will bear fruitful return as the market is expected to experience strong growth in the coming decade.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

(i) Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	-	32,595,726,203 (Note 1)	69,326,400 (Note 2)	32,665,052,603	47.59%
Chen Dan	32,000,000	-	-	32,000,000	0.05%
Wang Gang	8,500,000	-	-	8,500,000	0.01%
Qin Tian Xiang	7,000,000	-	-	7,000,000	0.01%

Notes:

- Out of these 32,595,726,203 shares, 28,853,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Limited, a company indirectly held as to 60% by Mr. Yu.
- These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

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

The Company *(continued)*

(ii) Long position in underlying shares

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

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

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

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

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i, a subsidiary of the Company. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2009, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

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

Notes:

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

Save as disclosed above, as at 30 June 2009, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

On 18 January 2007, share options to subscribe for a total of 157,000,000 shares, representing approximately 0.52% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries at an exercise price of HK\$0.0714 per share. The closing price of share of the Company immediately preceding the date of grant was HK\$0.072.

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

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

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2009
Directors								
Chen Dan	18-01-2007	19-01-2008 to 18-01-2009	0.0714	7,000,000	-	-	(7,000,000)	-
	20-04-2009	01-01-2010 to 31-12-2011	0.0702	-	3,500,000	-	-	3,500,000
		01-01-2011 to 31-12-2011	0.0702	-	3,500,000	-	-	3,500,000
Liu Rong	20-04-2009	01-01-2010 to 31-12-2011	0.0702	-	3,500,000	-	-	3,500,000
		01-01-2011 to 31-12-2011	0.0702	-	3,500,000	-	-	3,500,000

SHARE OPTION SCHEME (continued)

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2009
Directors (continued)								
Qin Tian Xiang	18-01-2007	19-01-2008 to 18-01-2009	0.0714	7,000,000	-	-	(7,000,000)	-
Lam Bing Kwan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	-	1,500,000	-	-	1,500,000
		01-01-2011 to 31-12-2011	0.0702	-	1,500,000	-	-	1,500,000
Employees								
In aggregate	18-01-2007	19-01-2007 to 18-01-2009	0.0714	16,550,000	-	-	(16,550,000)	-
		19-01-2008 to 18-01-2009	0.0714	62,400,000	-	-	(62,400,000)	-
	20-04-2009	01-01-2010 to 31-12-2011	0.0702	-	76,300,000	-	-	76,300,000
		01-01-2011 to 31-12-2011	0.0702	-	80,000,000	-	-	80,000,000
Other Participants								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	-	5,950,000	-	-	5,950,000
		01-01-2011 to 31-12-2011	0.0702	-	5,950,000	-	-	5,950,000
Total				92,950,000	185,200,000	-	(92,950,000)	185,200,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2009, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	<i>Notes</i>
Kung Ai Ming	Family and Corporate interest	32,665,052,603	47.59%	1
Rosewood Assets Ltd.	Beneficial interest	6,518,000,210	9.50%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	3
Macro Resources Limited	Beneficial interest	3,742,493,498	5.45%	2 & 3
First Best Assets Limited	Beneficial interest	7,504,986,998	10.93%	3
CITIC Group	Corporate interest	8,635,691,472	12.58%	2
Lim Siew Choon	Corporate interest	10,019,673,777	14.60%	4
Empire Gate Industrial Limited	Beneficial interest	6,714,986,997	9.78%	4
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

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

Notes:

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

Save as disclosed above, as at 30 June 2009, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

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

Mr. Qin Tian Xiang ("Mr. Qin") has been re-designated from an executive director to a non-executive director, and resigned as an executive committee member and a general manager of the Company on 12 June 2009.

Mr. Qin is entitled to receive a director's fee of HK\$120,000 per annum with reference to his duties and responsibilities within the Company, and is not entitled to receive any bonus payments, whether fixed or discretionary in nature, subject to review by the Board from time to time.

Mr. Qin also re-designated from an executive director to a non-executive director and resigned as an executive committee member of Sino-i on 12 June 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, except for the deviations mentioned below:

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

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

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

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company’s Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2009, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 21 September 2009