

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)



Interim Report 2009

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DIRECTORS

Executive Directors

Mr. Wong Danny F. (*Chairman*)
Mr. Liu JiYang (*Deputy Chairman*)
(*appointed on 29 June 2009 and resigned on 21 September 2009*)
Mr. Wu Tse Wai, Frederick
(*Chief Executive Officer*)
Mr. Fong Chi Wah
Mr. Lian WeiFei
(*appointed on 26 August 2009 and resigned on 22 September 2009*)

Non-executive Directors

Ms. Yang XiaoFeng
Mr. Dai ZheFeng
(*appointed on 26 August 2009 and resigned on 22 September 2009*)

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung
Mr. Liu Jin

COMPANY SECRETARY

Mr. Lee Ping Kai

AUDIT COMMITTEE

Mr. Liu Jin
Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

CUSTODIAN

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong
Limited:
1227

WEBSITE

www.nif-hk.com

The board of directors (the “Board”) of National Investments Fund Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiary (collectively the “Group”) for the six months ended 30 June 2009. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

BUSINESS REVIEW AND PROSPECTS

As at 30 June 2009, investment portfolio of the Group consisted of listed securities with market value HK\$31,372,000 (31 December 2008: HK\$314,000) and unlisted investments with fair value HK\$5,772,000 (31 December 2008: HK\$3,113,000).

For the six months ended 30 June 2009, the Group recorded a net profit of HK\$3,288,000 (30 June 2008: net loss of HK\$15,046,000) and this was mainly attributable to the unrealised gain on financial assets at fair value through profit or loss of HK\$12,707,000 (30 June 2008: net unrealised loss of HK\$7,504,000).

The Group was investing and managing in a portfolio of various securities in the securities market. During the interim period, the Group had made various investment transactions in Hong Kong securities market and the Company had established a wholly-owned subsidiary, with sole specific purpose, to invest in a company with promising market presence in the Mainland China’s information technology development sector. The Board is persistently in search of appropriate investment opportunities not only in Hong Kong, but also in the market around the world. The Board is optimistic to the future prospects of financial markets in Hong Kong and the Mainland China, and expects our investments will nourish our shareholders’ interest.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had retained cash of HK\$3,563,000 (31 December 2008: HK\$23,045,000). As most of the retained cash was placed in Hong Kong Dollars with the Banks in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Group had net current assets of HK\$36,663,000 (31 December 2008: HK\$23,767,000) and no borrowings or long-term liabilities as at 30 June 2009 (31 December 2008: Nil). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2009, was 0.001 (31 December 2008: 0.008).

EMPLOYEES

As at 30 June 2009, the Group had 16 (31 December 2008: 13) employees, including executive directors, non-executive director and independent non-executive directors. Total staff costs for the interim period amounted to HK\$2,230,000 (30 June 2008: HK\$2,203,000) including the amortisation of share options amounted to HK\$351,000 (30 June 2008: 783,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2009, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code"), are set out below:

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

| Name of directors | Capacity | Long position/ Short position | Number of ordinary shares held | Percentage of the Company's issued share capital |
|-----------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------------------------|
| Mr. Wong Danny F. | Interest in controlled corporation | Long Position | 279,026,000 <i>(Note 1)</i> | 21.29% |
| | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |
| Mr. Liu JiYang | Interest in controlled corporation | Long Position | 70,000,000 <i>(Note 3)</i> | 5.34% |
| Mr. Wu Tse Wai, Frederick | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |
| Mr. Fong Chi Wah | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |
| Ms. Yang XiaoFeng | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |
| Mr. Char Shik Ngor, Stephen | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |
| Mr. Fung Kwok Leung | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |
| Mr. Liu Jin | Beneficial owner | Long Position | 1,092,000 <i>(Note 2)</i> | 0.08% |

Notes:

1. These 279,026,000 ordinary shares of the Company are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.;
2. These 1,092,000 shares are derived from the interest in 1,092,000 share options granted by the Company to these directors respectively, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below; and
3. These 70,000,000 ordinary shares of the Company are held through Super Win Global Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Liu JiYang.

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

INTERESTS IN SHARE OPTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no share options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Company on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable the Company to motivate participants for their significant contributions to the growth of the Company and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Company, it is important for the Company to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Company's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

- (i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other scheme must not in aggregate exceed ten per cent. (10%) of the aggregate of the shares in issue as at the Adoption Date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty per cent. (30%) of the shares in issue from time to time.
- (ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one per cent. (1%) of the issued share capital of the Company for the time being.
- (iii) The subscription price shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.
- (iv) A share option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant of the option.
- (v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Management Discussion and Analysis

Details of movement of the share options during the six months period ended 30 June 2009 under the Share Option Scheme are as follows:

| Name or category of participants | Number of share options | | | | Outstanding at 30 June 2009 | Exercise price (HK\$) | Date of grant | Exercisable period (Note) |
|----------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------|---------------|----------------------------|
| | Balance at 1 January 2009 | Granted during the period | Exercised during the period | Lapsed during the period | | | | |
| Directors | | | | | | | | |
| Mr. Wong Danny F. | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Mr. Wu Tse Wai, Frederick | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Mr. Fong Chi Wah | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Ms. Yang XiaoFeng | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Mr. Char Shik Ngor, Stephen | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Mr. Fung Kwok Leung | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Mr. Liu Jin | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| | 7,644,000 | – | – | – | 7,644,000 | | | |
| Employees | 18,564,000 | – | – | – | 18,564,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| Resigned director | 1,092,000 | – | – | – | 1,092,000 | 0.38 | 28 Nov 2007 | 28 Nov 2007 to 26 Aug 2017 |
| | 27,300,000 | – | – | – | 27,300,000 | | | |

Note:

In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2009, so far as is known to the directors, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company:

| Name | Capacity | Long position/ Short position | Number of ordinary shares | Percentage of the Company's issued share capital |
|---------------------------------------------|------------------|----------------------------------|---------------------------------|-----------------------------------------------------------|
| CCM Asia Investment Corporation (Note 1) | Beneficial owner | Long position | 279,026,000 | 21.29% |
| Super Win Global Limited (Note 2) | Beneficial owner | Long position | 70,000,000 | 5.34% |

Notes:

- 1: Mr. Wong Danny F., the Chairman and the executive director of the Company is the sole shareholder of CCM Asia Investment Corporation.
- 2: Mr. Liu JiYang, the Deputy Chairman and the executive director of the Company is the sole director of Super Win Global Limited.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 June 2009.

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

During the six months period ended 30 June 2009, the Company has not purchased, sold nor redeemed any of its listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICE

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

As at 30 June 2009, the Board comprises four executive directors, one non-executive director and three independent non-executive directors. The Company has complied with the Code of Corporate Governance Practices (“Code Provisions”) set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange during the six months period ended 30 June 2009, with deviation from Code Provision E.1.2.

Code Provision E.1.2

According to Code Provision E.1.2, the Chairman of the Board, should attend the annual general meeting. In respect of the annual general meeting held on 26 June 2009, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED SECURITIES

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, throughout the six months ended 30 June 2009. After having made specific enquiry to all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the six months ended 30 June 2009.

AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the Group’s unaudited interim financial statements for the six months ended 30 June 2009.

On behalf of the Board
Wong Danny F.
Chairman

Hong Kong, 25 September 2009

Condensed Consolidated Statement of Financial Position

as at 30 June 2009

| | Note | As at 30 June 2009 (unaudited) HK'000 | As at 31 December 2008 (audited) HK'000 |
|--------------------------------------------------------------------|------|---------------------------------------------------|-----------------------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 58 | 75 |
| Available-for-sale financial assets | | 5,772 | 2,163 |
| Conversion options embedded in convertible notes | | — | 950 |
| | | 5,830 | 3,188 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 3 | 31,372 | 314 |
| Prepayment, deposits and other receivable | | 1,789 | 629 |
| Cash and bank balances | | 3,563 | 23,045 |
| | | 36,724 | 23,988 |
| Total assets | | 42,554 | 27,176 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders: | | | |
| Share capital | 4 | 13,104 | 10,920 |
| Reserves | | 29,389 | 16,035 |
| Total equity | | 42,493 | 26,955 |
| Liabilities: | | | |
| Current liabilities | | | |
| Accrued charges and other payable | | 61 | 221 |
| Total liabilities | | 61 | 221 |
| Total equity and liabilities | | 42,554 | 27,176 |
| Net current assets | | 36,663 | 23,767 |
| Total assets less current liabilities | | 42,493 | 26,955 |

Approved by the Board of Directors on 25 September 2009 and signed on its behalf by:

Wong Danny F.
Chairman

Wu Tse Wai, Frederick
Chief Executive Officer

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

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009

| | Note | Six months ended 30 June | |
|-------------------------------------------------------------------------------------|------|-------------------------------|-------------------------------|
| | | 2009 (unaudited) HK'000 | 2008 (unaudited) HK'000 |
| Revenue | 5 | 12,748 | (10,091) |
| Other operating expenses | 7 | (5,371) | (4,955) |
| Impairment loss on available-for-sale financial assets | | | |
| – previously recognised in available-for-sale financial assets equity reserve | | (976) | – |
| – Fair value at 31 December 2008 | | (2,163) | – |
| Impairment loss on conversion options embedded in convertible notes | | (950) | – |
| Profit/(Loss) before taxation | | 3,288 | (15,046) |
| Income tax expense | 6 | – | – |
| Profit/(Loss) for the period | | 3,288 | (15,046) |
| Attributable to: | | | |
| Equity holders of the Company | | 3,288 | (15,046) |
| Other comprehensive income: | | | |
| Change in fair value of available-for- sale financial assets | | 98 | – |
| Other comprehensive income for the period, net of tax | | 98 | – |
| Total comprehensive income for the period | | 3,386 | (15,046) |
| Total comprehensive income attributable to equity holders of the Company | | 3,386 | (15,046) |
| Interim dividend | 9 | – | – |
| Earnings/(Loss) per share | 10 | | |
| – Basic, in HK cents | | 0.28 | (1.38) |
| – Diluted, in HK cents | | 0.27 | – |

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

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

| | Share capital (unaudited) HK'000 | Share premium (unaudited) HK'000 | Share option reserve (unaudited) HK'000 | Warrants reserve (unaudited) HK'000 | Available- for-sale financial assets equity reserve (unaudited) HK'000 | Accumulated losses (unaudited) HK'000 | Total equity (unaudited) HK'000 |
|-------------------------------------------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------|
| Balance at 1 January 2008 | 10,920 | 72,825 | 741 | – | – | (30,564) | 53,922 |
| Other comprehensive income | – | – | – | – | – | – | – |
| Loss for the period | – | – | – | – | – | (15,046) | (15,046) |
| | 10,920 | 72,825 | 741 | – | – | (45,610) | 38,876 |
| Recognition of equity settled share-based payment | – | – | 783 | – | – | – | 783 |
| Balance at 30 June 2008 | 10,920 | 72,825 | 1,524 | – | – | (45,610) | 39,659 |
| Balance at 1 January 2009 | 10,920 | 72,825 | 2,234 | – | (976) | (58,048) | 26,955 |
| Other comprehensive income | – | – | – | – | 98 | – | 98 |
| Reversal of change in fair value of available-for-sale financial assets | – | – | – | – | 976 | – | 976 |
| Profit for the period | – | – | – | – | – | 3,288 | 3,288 |
| | 10,920 | 72,825 | 2,234 | – | 98 | (54,760) | 31,317 |
| Recognition of equity settled share-based payment | – | – | 351 | – | – | – | 351 |
| Issue of shares | 2,184 | 8,736 | – | – | – | – | 10,920 |
| Share issue expenses | – | (257) | – | – | – | – | (257) |
| Issue of unlisted warrants | – | – | – | 162 | – | – | 162 |
| Balance at 30 June 2009 | 13,104 | 81,304 | 2,585 | 162 | 98 | (54,760) | 42,493 |

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

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009

| | Six months ended 30 June | |
|-----------------------------------------------------------------|----------------------------------------|-------------------------------|
| | 2009 (unaudited) HK'000 | 2008 (unaudited) HK'000 |
| Net cash outflow from operating activities | (24,634) | (4,269) |
| Net cash outflow from investing activities | (5,673) | (30) |
| Net cash inflow from financing activities | 10,825 | — |
| Net decrease in cash and cash equivalent | (19,482) | (4,299) |
| Cash and cash equivalents at the beginning of the period | 23,045 | 26,413 |
| Cash and cash equivalents at the end of the period | 3,563 | 22,114 |
| Analysis of cash and cash equivalents: | | |
| Cash and bank balances | 3,563 | 22,114 |

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

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2008.

For the current interim period, the Group has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by HKICPA, which are or have become effective. The adoption of the new HKFRSs has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented.

Notes to Condensed Interim Financial Statements

At 30 June 2009

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

| | |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 1 and HKAS 27 (Amendments) | Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HK(IFRIC) — Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) — Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) — Int 16 | Hedges of a Net Investment in a Foreign Operation |

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

| | |
|---------------------|-------------------------------------------------------------|
| HKFRS 3 (Revised) | Business Combinations ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ¹ |
| HKAS 39 (Amendment) | Eligible Hedged Items ¹ |
| HK(IFRIC) — Int 17 | Distributions of Non-cash Assets to Owners ¹ |
| HK(IFRIC) — Int 18 | Transfers of Assets from Customers ² |

Apart from the above, the HKICPA has also issued Improvements to HKFRSs which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC) — Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for transfers on or after 1 July 2009

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results or financial position of the Group.

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

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2009 (Unaudited) HK\$'000 | 31 December 2008 (Audited) HK\$'000 |
|----------------------------------|------------------------------------------------------|----------------------------------------------|
| Held-for-trading | | |
| Equity securities, at fair value | | |
| — listed in Hong Kong | 31,372 | 314 |

Notes to Condensed Interim Financial Statements

At 30 June 2009

4. SHARE CAPITAL

| | Number of ordinary shares of HK\$0.01 each | <i>HK\$'000</i> |
|----------------------------------------------------------|---------------------------------------------------------------|-----------------|
| Authorised: | | |
| At 31 December 2008 (audited) | 2,000,000,000 | 20,000 |
| Increase in authorised capital (<i>Note a</i>) | 18,000,000,000 | 180,000 |
| At 30 June 2009 (unaudited) | 20,000,000,000 | 200,000 |
| Issued and fully paid: | | |
| At 31 December 2008 (audited) | 1,092,000,000 | 10,920 |
| Issue of shares by placing for cash (<i>Note b</i>) | 218,400,000 | 2,184 |
| At 30 June 2009 (unaudited) | 1,310,400,000 | 13,104 |

Notes:

- (a) By an ordinary resolution passed on 8 June 2009, the authorised share capital of the Company was increased from HK\$20,000,000 dividend into 2,000,000,000 ordinary shares of HK\$0.01 each, to HK\$200,000,000 dividend into 20,000,000,000 ordinary shares by the creation of an additional 18,000,000,000 ordinary shares.
- (b) As detailed in the Company's announcement dated 14 April 2009, the Company had issued and allotted 218,400,000 new ordinary shares of HK\$0.01 each at HK\$0.05 per share for cash by placing.
- (c) As detailed in the Company's announcements dated 15 June 2009 and 24 June 2009, the Company had issued 262,080,000 unlisted warrants at HK\$0.001 each, which entitled the holders of each unlisted warrant to subscribe for one Company's ordinary share, at a subscription price of HK\$0.160 per share. The expiry date of the unlisted warrants is 24 June 2010.

For the six months period ended 30 June 2009, no holder of unlisted warrants had exercised the subscription right.

Notes to Condensed Interim Financial Statements

At 30 June 2009

5. REVENUE

| | Six months ended 30 June | |
|-------------------------------------------------------------------------------------|------------------------------------------|---------------------------------|
| | 2009 (unaudited) HK\$'000 | 2008 (unaudited) HK\$'000 |
| Net gain/(loss) on financial assets at fair value through profit or loss (Note (i)) | 12,707 | (10,835) |
| Interest income from bank deposits | 32 | 471 |
| Dividend income from financial assets at fair value through profit or loss | 9 | 273 |
| | 12,748 | (10,091) |

Notes:

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

| | Six months ended 30 June | |
|-------------------------------------------------------------------------------------|------------------------------------------|---------------------------------|
| | 2009 (unaudited) HK\$'000 | 2008 (unaudited) HK\$'000 |
| Proceeds on sales | — | 15,390 |
| Less: cost of sales | — | (18,721) |
| Net realised loss on financial assets at fair value through profit or loss | — | (3,331) |
| Net unrealised gain/(loss) on financial assets at fair value through profit or loss | 12,707 | (7,504) |
| Net gain/(loss) on financial assets at fair value through profit or loss | 12,707 | (10,835) |

Notes to Condensed Interim Financial Statements

At 30 June 2009

6. SEGMENT INFORMATION

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

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

7. OTHER OPERATING EXPENSES

Other operating expenses included the following:

| | Six months ended 30 June | |
|------------------------------------|------------------------------------------|---------------------------------|
| | 2009 (unaudited) HK\$'000 | 2008 (unaudited) HK\$'000 |
| Equity settled share-based payment | 351 | 783 |
| Employee benefits expenses | 1,878 | 1,420 |
| Legal and professional fee | 607 | 138 |

8. INCOME TAX EXPENSE

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

No Hong Kong profits tax has been provided for the six months ended 30 June 2008 as the Group had no assessable profits.

9. INTERIM DIVIDEND

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

10. EARNINGS/(LOSS) PER SHARE

Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of approximately HK\$3,288,000 (30 June 2008: loss of approximately HK\$15,046,000) and on the weighted average of approximately 1,186,117,000 (30 June 2008: approximately 1,092,000,000) ordinary shares in issue during the period.

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

Basic and diluted

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

| | Six months ended 30 June | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------|
| | 2009 (unaudited) HK\$'000 | 2008 (unaudited) HK\$'000 |
| Earnings/(loss) | | |
| Earnings/(loss) for the purpose of basic earnings/(loss) per share (profit/(loss) for the period attributable to equity holders of the Company) | 3,288 | (15,046) |
| Effect of dilutive potential ordinary shares: | | |
| Adjustment to earnings in respect of the effect of dilutive potential ordinary shares arising from warrants of the Company | — | — |
| Earnings/(loss) for the purpose of diluted earnings/(loss) per share | 3,288 | (15,046) |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | 1,186,117 | 1,092,000 |
| Effect of dilutive potential ordinary shares for warrants | 10,135 | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | 1,196,252 | 1,092,000 |

Notes to Condensed Interim Financial Statements

At 30 June 2009

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

Diluted

No diluted loss per share was calculated for the six months ended 30 June 2008 as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for the period, and no warrants was outstanding during the period.

11. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2009, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

Key management compensation

| | Six months ended 30 June | |
|-------------------------------------------------|---------------------------------|---------------------------------|
| | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| Salaries and other short-term employee benefits | 850 | 820 |
| Employer's contribution to pension scheme | 11 | 11 |

12. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

| | At 30 June 2009 HK\$'000 (Unaudited) | At 31 December 2008 HK\$'000 (Audited) |
|-----------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| Contracted but not provided for — Purchase of property, plant and equipment | 639 | — |

Notes to Condensed Interim Financial Statements

At 30 June 2009

12. COMMITMENTS (Continued)

(b) Operating lease commitments

As lessee:

At the balance sheet date, the total future minimum lease payments under noncancellable operating leases of the Group are repayable as follows:

| | At 30 June 2009 HK'000 (Unaudited) | At 31 December 2008 HK'000 (Audited) |
|-----------------------------------------|------------------------------------------------|--------------------------------------------------|
| Within one year | 1,096 | 649 |
| After one year but within five years | 2,386 | — |
| | 3,482 | 649 |

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date (31 December 2008: Nil).

14. SUBSEQUENT EVENTS

As detailed in the Company's circular dated 21 May 2009 and approved by the shareholders in an extraordinary general meeting dated 8 June 2009, the Company is authorised to issue an aggregate of principal up to HK\$350,000,000 convertible notes, with an offer period of one year through a placing agent. For the six months period ended 30 June 2009, none of the convertible notes had been issued. Up to the approval date of these interim financial statements, an aggregate of principal HK\$99,230,000 convertible notes were issued.

15. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved by the Board of Directors on 25 September 2009.