

Interim Report 2010

NewCapital
International Investment Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1062)



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Corporate Information

DIRECTORS

Executive Directors

Mr. Liu Xiao Guang (Chairman)
Mr. Lawrence H. Wood (Chief Executive Officer)
(also known as Wu Yuk Shing or Hu Xu Cheng)
Mr. Liu Xue Min
Mr. Shi Tao
Mr. Lin Si Yu
Mr. Xiong Wei
Mr. Pan Wentang
Mr. Ge Zemin

Independent Non-executive Directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

QUALIFIED ACCOUNTANT

Mr. Chu Kim Wah

COMPANY SECRETARY

Miss Cheng Wing Sze

AUDIT COMMITTEE

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REMUNERATION COMMITTEE

Mr. Liu Xiao Guang
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3306
Two Exchange Square
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

PRINCIPAL BANKER

The Bank of East Asia, Limited

AUDITORS

Grant Thornton

LEGAL ADVISER

DLA Piper Hong Kong

INVESTMENT MANAGER

KBR Management Limited

Suite 3306
Two Exchange Square
Central
Hong Kong

PROJECT MANAGER

**ZY International Project Management
(China) Limited**

P.O. Box 957
Offshore Incorporations Centre
Tortola, British Virgin Islands

CUSTODIAN

**Orangefield Management
(Hong Kong) Limited**

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68 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITES

www.newcapital.com.hk
www.irasia.com/listco/hk/newcapital

Management Discussion and Analysis

The Board of Directors of New Capital International Investment Limited (the “Company” or “New Capital”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010. The interim report for the six months ended 30 June 2010 has been reviewed by the audit committee and auditors of the Company.

RESULTS

The loss of the Group for the first half year of 2010 was HK\$8,524,727 compared to the loss of HK\$3,985,204 for the same period in 2009. The condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 6 to 17 of this report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the cash and bank balance of the Group is HK\$114,039,212 (31 December 2009: HK\$83,143,139). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Group’s exposure to exchange fluctuations is considered minimal. The Board believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 30 June 2010, the Group had net assets of HK\$205,571,904 (31 December 2009: HK\$176,414,271) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

On 25 January 2010, the Group completed a share placement and allotted 136,418,800 new shares to a subscriber, making the total number of issued share capital of the Group increased to 818,512,800 thereof.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2010, there were no charges on the Group’s assets or any significant contingent liabilities (31 December 2009: Nil).

ECONOMIC REVIEW

China’s Gross Domestic Product (GDP) amounted to RMB17,284 billion as of the first half year of 2010, up 11.1% year-on-year. The GDP growth moderated to 10.3% in the second quarter from 11.9% in the first quarter. The slackening growth is mainly the result of the government’s tightening measures.

The Hang Seng Index closed at 20,129 on 30 June 2010, sluggishly down 1,744 point in the half year. Investors’ confidence were consistently challenged by rounds of headwinds namely the tightening policy in certain markets especially in China, the deep concern on “EXIT” strategy in US as well as the European debt crisis in the first half of 2010.

Management Discussion and Analysis

PORTFOLIO REVIEW

An associate of the Group, Beijing Far East Instrument Co., Ltd. ("Beijing Far East"), is a leading industrial precision instrument manufacturer in China. The principal business of Beijing Far East is to manufacture meters and precise measuring instruments.

Based on the unaudited management accounts as at 30 June 2010, its profit reached RMB8.4 million, as compared to RMB15 million for the six months ended 30 June 2009.

A jointly controlled entity of the Group has been holding two retail floors of Wuhan Xing Cheng Building since early 2007. Wuhan Xing Cheng Building is a commercial building situated at the prime location of the city centre of Jianghan District in Wuhan. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings. There are 12 office floors above the building with more than 200 office units which provide a large customer base for the retail business. The interest in this jointly controlled entity has provided the Group an opportunity of capital appreciation. New Capital will seek to capture market opportunities to realize profit of the investment.

In July 2010, the Group has entered an agreement to acquire 12% equity interest of a joint venture in Tianjin, China. The joint venture company specializes in water urban facilities and environmental project over China. The acquisition will be completed once the equity transfer registration is finalized, and will bring potential growth prospects for the Group.

FUTURE PROSPECTS

Faced with a potential property market bubble, China began tightening policies in the late 2009. The second quarter figures of 2010 indicated that China's economy is back to a more sustainable growth path. Inflation is moderating. Both the money supply and bank credit are approaching the government's target levels. China's real GDP growth is expected to slip a bit in the second half of 2010, but the annual growth will keep to 2009 figure, and is still impressive in both absolute and relative terms.

The Group commits to improve the investment portfolio and implement its investment plan. With our years of knowledge in the China market and our close relationship with local partners, we will continue to look for new investment opportunities with satisfactory returns to shareholders. Looking forward, the Board is confident with the future prospects of the Group.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Notes			
	Revenue	249,513	15,071
	Operating expenses	(6,008,554)	(6,022,099)
	Share of loss of associates	(4,294,873)	(310,863)
	Share of profit/(loss) of jointly controlled entities	4,228,396	(600,766)
	Change in fair value of financial assets held for trading	(2,458,209)	3,359,453
	Loss before income tax	(8,283,727)	(3,559,204)
	Income tax expense	(241,000)	(426,000)
	Loss for the period	(8,524,727)	(3,985,204)
	Other comprehensive income		
	Exchange differences on translation of financial statements of associates	858,574	237,547
	Other comprehensive income for the period	858,574	237,547
	Total comprehensive income for the period	(7,666,153)	(3,747,657)
	Loss for the period attributable to:		
	Owners of the Company	(8,524,727)	(3,985,204)
	Total comprehensive income for the period attributable to:		
	Owners of the Company	(7,666,153)	(3,747,657)
		HK cents	HK cents
	Loss per share for loss attributable to owners of the Company during the period		
	– Basic	(1.054)	(0.584)
	– Diluted	N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

		At 30 June 2010 HK\$ (Unaudited)	At 31 December 2009 HK\$ (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	77,172	74,350
Interests in associates		62,100,535	65,536,834
Interest in a jointly controlled entity		17,944,667	13,716,271
Loan to a jointly controlled entity		4,996,430	4,996,430
		85,118,804	84,323,885
Current assets			
Financial assets held for trading		14,960,986	19,594,361
Other receivables		3,403,160	1,068,601
Cash and cash equivalents	10	114,039,212	83,143,139
		132,403,358	103,806,101
Current liabilities			
Other payables		10,872,258	10,878,715
		121,531,100	92,927,386
Net current assets			
		206,649,904	177,251,271
Total assets less current liabilities			
Non-current liabilities			
Deferred tax liabilities		1,078,000	837,000
		205,571,904	176,414,271
Net assets			
EQUITY			
Share capital	11	8,185,128	6,820,940
Reserves		197,386,776	169,593,331
		205,571,904	176,414,271
Total equity			
		205,571,904	176,414,271
Net asset value per share			
	15	0.251	0.259

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – Unaudited

	Attributable to owners of the Company						Total HK\$
	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Exchange reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	
At 1 January 2010	6,820,940	170,887,413	382,880,958	8,499,299	270,200	(392,944,539)	176,414,271
Transaction with owners							
Issuance of new shares	1,364,188	35,468,888	-	-	-	-	36,833,076
Share issue expenses	-	(9,290)	-	-	-	-	(9,290)
Total transactions with owners	1,364,188	35,459,598	-	-	-	-	36,823,786
Comprehensive income							
Loss for the period	-	-	-	-	-	(8,524,727)	(8,524,727)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	-	-	-	858,574	-	-	858,574
Total comprehensive income for the period	-	-	-	858,574	-	(8,524,727)	(7,666,153)
At 30 June 2010	8,185,128	206,347,011	382,880,958	9,357,873	270,200	(401,469,266)	205,571,904

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – Unaudited

	Attributable to owners of the Company						
	Share capital	Share premium	Special reserve	Exchange reserve	Capital redemption reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2009	6,820,940	170,887,413	382,880,958	8,145,413	270,200	(382,254,814)	186,750,110
Comprehensive income							
Loss for the period	-	-	-	-	-	(3,985,204)	(3,985,204)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	-	-	-	237,547	-	-	237,547
Total comprehensive income for the period	-	-	-	237,547	-	(3,985,204)	(3,747,657)
At 30 June 2009	6,820,940	170,887,413	382,880,958	8,382,960	270,200	(386,240,018)	183,002,453

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Net cash used in operating activities	(5,902,745)	(1,123,902)
Net cash (used in)/from investing activities	(24,968)	9,843,238
Net cash from financing activities	36,823,786	–
Increase in cash and cash equivalents	30,896,073	8,719,336
Cash and cash equivalents at 1 January	83,143,139	72,471,934
Cash and cash equivalents at 30 June	114,039,212	81,191,270

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

This unaudited interim financial information ("The Unaudited Interim Financial Information") has 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 with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Interim Financial Information has been reviewed by our auditors in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

The Unaudited Interim Financial Information for the six months ended 30 June 2010 was approved for issue by the board of directors on 20 August 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the annual financial statements of the Company for the year ended 31 December 2009 (the "2009 Annual Financial Statements"), except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") as disclosed below. The Unaudited Interim Financial Information should be read in conjunction with the 2009 Annual Financial Statements.

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual improvements to HKFRSs 2009

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 3 (Revised 2008) Business Combinations (“HKFRS 3R”)

HKFRS 3R introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised HKFRS 3R that had an impact on the Group’s acquisitions in 2010 are as follows:

- Acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless HKFRS 3R provides an exception and provides specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

HKFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. Business combinations for which the acquisition date is before 1 January 2010 have not been restated. The adoption of HKFRS 3R did not have an impact in the Unaudited Interim Financial Information.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements (“HKAS 27R”)

The adoption of HKFRS 3R required that the HKAS 27R is adopted at the same time. HKAS 27R introduced changes to the accounting requirements for transactions with non-controlling interests (formerly called “minority interests”) and the loss of control of a subsidiary. Similar to HKFRS 3R, the adoption of HKAS 27R is applied prospectively. The Group did not have transactions with non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of HKAS 27R did not have an impact in the Unaudited Interim Financial Information.

Annual improvements to HKFRSs 2009 (“2009 Improvements”)

The 2009 Improvements made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is investment in securities and equity instruments. The executive directors regard it as a single business segment. Also the measurement policies the Group adopted for segment reporting under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, therefore segment disclosures are not presented.

At 30 June 2010, non-current assets of HK\$85,041,632 (31 December 2009: HK\$84,249,535) and HK\$77,172 (31 December 2009: HK\$74,350) are located in the People's Republic of China ("PRC") and Hong Kong respectively.

For the six months ended 30 June 2010 and 2009, the Group's revenue is all derived in Hong Kong.

4. REVENUE

Revenue, which is also the Group's turnover, represents interest income and dividend income receivable from financial assets held for trading. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Interest income	8,374	15,061
Dividend income from financial assets held for trading	241,139	10
	249,513	15,071

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Depreciation	22,146	17,056
Exchange loss	–	2,337
Loss on disposal of jointly controlled entity (Note)	–	65,221

Note: During the six months ended 30 June 2009, a jointly controlled entity, namely China Eco-hotel Investments Limited was liquidated and a loss of HK\$65,221 was recognised in the loss for that period.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2009: Nil).

	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Deferred tax arising from undistributed profits of an associate	241,000	426,000

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$8,524,727 (Six months ended 30 June 2009: HK\$3,985,204) and on the weighted average of 808,714,765 (Six months ended 30 June 2009: 682,094,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as there were no potential ordinary shares for both periods.

8. DIVIDENDS

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment of HK\$24,968 (Six months ended 30 June 2009: HK\$11,897). There was no disposal of property, plant and equipment during the period (Six months ended 30 June 2009: Nil).

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

10. CASH AND CASH EQUIVALENTS

	At 30 June 2010 HK\$ (Unaudited)	At 31 December 2009 HK\$ (Audited)
Deposits with banks	7,502,886	7,499,967
Cash at banks and in hand	106,536,326	75,643,172
	114,039,212	83,143,139

Deposits with banks represent fixed deposits with maturities within 3 months from initial inception.

11. SHARE CAPITAL

	At 30 June 2010 (Unaudited)		At 31 December 2009 (Audited)	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each				
Authorised	12,000,000,000	120,000,000	12,000,000,000	120,000,000
Issued and fully paid				
At 1 January	682,094,000	6,820,940	682,094,000	6,820,940
Placement of shares (Note)	136,418,800	1,364,188	–	–
At 30 June/31 December	818,512,800	8,185,128	682,094,000	6,820,940

Note: The Company has completed a share placement in January 2010 and 136,418,800 ordinary shares at HK\$0.27 per share were issued and fully paid.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

12. LITIGATION MATTERS

As set out in the 2009 Annual Financial Statements, one of the Group's associate, China Property Development (Holdings) Limited ("CPDH"), had certain legal claims arising from the transactions relating to its former subsidiaries, World Lexus Pacific Limited and one of its subsidiaries, Beijing Pacific Palace Real Estate Development Co., Limited.

In May 2010, tribunal made its final award of the arbitration proceedings on these legal claims (the "Award"). CPDH has settled all the legal claims in accordance with the judgements in the Award and incurred. An additional amount of approximately HK\$5,600,000 had been paid and recognised in profit or loss of CPDH for the six months ended 30 June 2010.

The directors, with reference to the information provided by the directors and lawyers of CPDH, are of the opinion that no further provision or further impairment loss is required to be made in the consolidated financial statements of CPDH which have already been accounted for under equity accounting in the consolidated financial statements of the Group. The directors are of the opinion that there will be no further contingent liabilities in respect of the above arbitration proceedings.

13. CONNECTED AND RELATED PARTY TRANSACTIONS

13.1 On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited ("Orangefield"). During the period, the Group paid HK\$30,000 (Six months ended 30 June 2009: HK\$30,000) to Orangefield. Custodian of the Group is regarded as a connected party in accordance with the Listing Rule 21.13.

13.2 On 3 March 2008, the Group entered into an investment management agreement with KBR Management Limited ("KBR"). During the period, the Group paid HK\$200,000 (Six months ended 30 June 2009: HK\$166,667) to KBR. Investment manager of the Group is regarded as a connected party in accordance with the Listing Rule 21.13.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2010

13. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

13.3 During the period, the Group paid key management personnel compensation as follows:

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Salaries and other short-term employee benefits	1,057,600	1,047,225
Retirement scheme contributions	12,000	18,000
	1,069,600	1,065,225

14. COMMITMENTS

As at 30 June 2010, the Group did not have any capital commitment (31 December 2009: Nil).

15. NET ASSET VALUE PER SHARE

Net asset value per share as at 30 June 2010 is computed based on the unaudited consolidated net assets of HK\$205,571,904 as at 30 June 2010 (31 December 2009: HK\$176,414,271 (audited)) and 818,512,800 ordinary shares in issue as at 30 June 2010 (31 December 2009: 682,094,000 ordinary shares).

16. EVENT AFTER REPORTING DATE

On 28 July 2010, the Group entered into an agreement with Beijing Capital (Hong Kong) Limited, a shareholder of the Company, to acquire 12% of the equity interest of 首創愛華(天津)市政環境工程有限公司 (Note: For identification purpose, the English name of the company is Beijing Capital Ai Hua (Tianjin) Urban Environment Engineering Co., Limited. The official name of the company is in Chinese.) at a cash consideration of RMB28,970,000.

Independent Review Report



Grant Thornton
均富

Member of Grant Thornton International Ltd

To the Board of Directors of
New Capital International Investment Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 17 which comprise the condensed consolidated statement of financial position of New Capital International Investment Limited as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended, and a summary of significant accounting policies and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim financial information.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton
Certified Public Accountants
6th Floor, Nexus Building
41 Connaught Road Central
Hong Kong

20 August 2010

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, none of the Directors or the chief executive of the Company or their respective 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), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest 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 required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2010, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate % of shareholding
Mr. Lin Si Yu (Note 1)	107,600,000	13.15
Sense Control International Limited (Note 1)	107,600,000	13.15
Dover VI Associates, LLC (Note 2)	105,800,000	12.93
Dover VI Associates, L.P. (Note 2)	105,800,000	12.93
Dover SPING GP LLC (Note 2)	85,140,000	10.40
Dover SPING L.P. (Note 2)	85,140,000	10.40
Dover Street VI L.P. (Note 2)	20,660,000	2.52
Mr. Xiong Wei (Note 3)	62,000,000	7.57
Econoworth Investments Limited (Note 3)	62,000,000	7.57
Beijing Capital (Hong Kong) Limited	81,418,800	9.95
Central Huijin Investment Ltd (Note 4)	55,000,000	6.72
China Construction Bank Corporation (Note 4)	55,000,000	6.72
CCB International Group Holdings Limited (Note 4)	55,000,000	6.72
CCB Financial Holdings Limited (Note 4)	55,000,000	6.72
CCB International (Holdings) Limited (Note 4)	55,000,000	6.72
CCB International Assets Management (Cayman) Limited (Note 4)	55,000,000	6.72
CCB International Asset Management Limited (Note 4)	55,000,000	6.72

Other Information

Notes:

1. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares held by Sense Control International Limited.
2.
 - (a) The 85,140,000 shares were held by Dover SPING L.P., Dover SPING GP LLC, which has controlling interest in Dover SPING L.P., is therefore deemed to be interested in the same parcel of shares held by Dover SPING L.P.
 - (b) The 20,660,000 shares were held by Dover Street VI L.P.
 - (c) Dover VI Associates, LLC has controlling interest in Dover VI Associates L.P. and Dover VI Associates L.P. has controlling interest in Dover SPING GP LLC and Dover Street VI L.P.. Both Dover VI Associates, LLC and Dover VI Associates L.P. are therefore deemed to be interested in the 85,140,000 shares held by Dover SPING L.P. and the 20,660,000 shares held by Dover Street VI L.P..
3. Econoworth Investments Limited is beneficially and wholly owned by Mr. Xiong Wei. Mr. Xiong Wei is therefore deemed to be interested in the same parcel of shares held by Econoworth Investments Limited.
4. Central Huijin Investment Ltd has controlling interest in China Construction Bank Corporation and has controlling interest in CCB International Group Holdings Limited and has controlling interest in CCB Financial Holdings Limited and has controlling interest in CCB International (Holdings) Limited and has controlling interest in CCB International Assets Management (Cayman) Limited and has controlling interest in CCB International Asset Management Limited, and are therefore deemed to be interested in the same parcel of shares held by CCB International Asset Management Limited.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company effective 13 April 2005 under which the board of directors of the Company may, at its discretion, grant to any director, employee, executive or officer of the Company, or any director, employee, executive of any subsidiaries from time to time of the Company, to subscribe for the Company's shares.

As at 30 June 2010, no option was granted since the adoption of the Share Option Scheme. There are no share options outstanding as at 30 June 2010.

Other Information

INTERIM DIVIDEND

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

EMPLOYEE

As at 30 June 2010, the Group has 9 employees. Basic salary, discretionary bonus and mandatory provident fund scheme are provided to these employees.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 9 August 2010 to review the Group's 2010 interim results before it was tabled for the Board's approval.

REMUNERATION COMMITTEE

The Remuneration Committee is headed by Mr. Liu Xiao Guang, the Chairman of the Board. The other members of the Remuneration Committee are the three independent non-executive directors, Mr. To Chun Kei, Dr. Kwong Chun Wai Michael and Mr. Fung Tze Wa.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2010, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the chairman of the board did not attend the annual general meeting of the Company held on 26 May 2010 due to business commitment.

Other Information

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standards as set out in the Code during the period.

DIRECTORS

As at the date hereof, the Board is comprised of Mr. Liu Xiao Guang, Mr. Lawrence H. Wood, Mr. Liu Xue Min, Mr. Shi Tao, Mr. Lin Si Yu, Mr. Xiong Wei, Mr. Pan Wentang and Mr. Ge Zemin as Executive Directors; and Mr. To Chun Kei, Dr. Kwong Chun Wai Michael and Mr. Fung Tze Wa as Independent Non-executive Directors.

By Order of the Board

Liu Xiao Guang

Chairman

Hong Kong, 20 August 2010