

# 2010

INTERIM REPORT

南海控股有限公司

二零一零年度 中期報告



南海控股

NAN HAI CORPORATION LIMITED

Stock code: 680 股份代號: 680

## CORPORATE 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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 15-18, 36/F.,

China Merchants Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

### REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

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 2010 together with the comparative figures for 2009 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
<b>Revenue/Turnover</b>	4(a)	<b>1,069,919</b>	256,074
Cost of sales and services provided		<b>(451,996)</b>	(84,505)
<b>Gross profit</b>		<b>617,923</b>	171,569
Other operating income	4(b)	<b>25,007</b>	27,305
Selling and marketing expenses		<b>(183,158)</b>	(164,395)
Administrative expenses		<b>(188,833)</b>	(176,977)
Other operating expenses		<b>(246,536)</b>	(65,688)
Finance costs	5	<b>(139,264)</b>	(189,335)
Share of results of associates		<b>(17)</b>	(2)
<b>Loss before income tax</b>	6	<b>(114,878)</b>	(397,523)
Income tax expense	7	<b>(63,113)</b>	(9,078)
<b>Loss for the period</b>		<b>(177,991)</b>	(406,601)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(133,821)</b>	(369,713)
Non-controlling interests		<b>(44,170)</b>	(36,888)
<b>Loss for the period</b>		<b>(177,991)</b>	(406,601)
		<b>HK cent</b>	HK cent
<b>Loss per share for loss attributable to the owners of the Company during the period</b>	8		
– Basic		<b>(0.195)</b>	(0.539)
– Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2010

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>Loss for the period</b>	<b>(177,991)</b>	(406,601)
<b>Other comprehensive income, including reclassification adjustments:</b>		
Exchange differences on translation of financial statements of foreign operations	<b>56,078</b>	(2,613)
<b>Other comprehensive income for the period, including reclassification adjustments, and net of tax</b>	<b>56,078</b>	(2,613)
<b>Total comprehensive income for the period</b>	<b>(121,913)</b>	(409,214)
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(79,671)</b>	(371,904)
Non-controlling interests	<b>(42,242)</b>	(37,310)
<b>Total comprehensive income for the period</b>	<b>(121,913)</b>	(409,214)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2010

		(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>638,536</b>	529,361
Investment property		–	11,409
Prepaid land lease payments under operating leases		<b>56,998</b>	57,019
Interests in associates		<b>123,704</b>	117,374
Available-for-sale financial assets		<b>2,284</b>	324
Deposits and other receivables		<b>173,139</b>	275,561
Goodwill	11	<b>287,179</b>	240,530
Other intangible assets		<b>190,221</b>	67,096
Deferred tax assets		<b>33,750</b>	33,369
Pledged bank deposits		–	118,254
		<b>1,505,811</b>	1,450,297
<b>Current assets</b>			
Inventories		<b>6,881,134</b>	6,916,215
Financial assets at fair value through profit or loss		<b>338,459</b>	414,031
Trade receivables	12	<b>106,465</b>	138,055
Deposits, prepayments and other receivables		<b>878,168</b>	838,290
Amount due from an associate		<b>4,828</b>	4,828
Pledged bank deposits		<b>97,538</b>	2,280
Cash and cash equivalents		<b>355,780</b>	610,341
		<b>8,662,372</b>	8,924,040
<b>Current liabilities</b>			
Trade payables	13	<b>340,062</b>	375,716
Other payables and accruals		<b>649,829</b>	670,268
Deferred revenue		<b>75,009</b>	82,404
Provision for tax		<b>462,824</b>	497,231
Amount due to a director		<b>130,351</b>	147,184
Amounts due to shareholders		<b>5,006</b>	5,006
Amount due to a minority shareholder		<b>450</b>	406
Amounts due to associates		<b>19,303</b>	19,156
Bank borrowings, secured	14	<b>371,267</b>	473,364
Finance lease liabilities		<b>16</b>	16
Finance from third parties		<b>397,241</b>	–
		<b>2,451,358</b>	2,270,751
<b>Net current assets</b>		<b>6,211,014</b>	6,653,289
<b>Total assets less current liabilities</b>		<b>7,716,825</b>	8,103,586

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)

As at 30 June 2010

	Notes	(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings, secured	14	<b>469,192</b>	439,957
Finance lease liabilities		<b>43</b>	49
Finance from third parties		<b>2,360,590</b>	2,658,182
Deferred tax liabilities		<b>229,130</b>	226,542
		<b>3,058,955</b>	3,324,730
<b>Net assets</b>		<b>4,657,870</b>	4,778,856
<b>EQUITY</b>			
Share capital	15	<b>686,455</b>	686,450
Reserves		<b>3,190,108</b>	3,268,857
<b>Equity attributable to the Company's owners</b>		<b>3,876,563</b>	3,955,307
<b>Non-controlling interests</b>		<b>781,307</b>	823,549
<b>Total equity</b>		<b>4,657,870</b>	4,778,856

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED**

For the six months ended 30 June 2010

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<b>104,758</b>	1,299,641
Net cash (used in)/generated from investing activities	<b>(157,375)</b>	3,544
Net cash used in financing activities	<b>(206,041)</b>	(449,201)
Net (decrease)/increase in cash and cash equivalents	<b>(258,658)</b>	853,984
<b>Cash and cash equivalents at 1 January</b>	<b>610,341</b>	210,875
Effect of foreign exchange rate changes, on cash held	<b>4,097</b>	(446)
<b>Cash and cash equivalents at 30 June</b>	<b>355,780</b>	1,064,413
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>355,780</b>	1,064,683
Bank overdrafts	–	(270)
	<b>355,780</b>	1,064,413

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2010

	Equity attributable to the Company's owners									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2009</b>	686,450	965,881	1,933,719	16,428	2,120	313,453	(154,620)	3,763,431	894,340	4,657,771
Equity-settled share-based compensation expenses	-	-	-	-	1,055	-	-	1,055	-	1,055
<b>Transaction with owners</b>	-	-	-	-	1,055	-	-	1,055	-	1,055
<b>Loss for the period</b>	-	-	-	-	-	-	(369,713)	(369,713)	(36,888)	(406,601)
<b>Other comprehensive income</b>										
Exchange differences on translations of financial statements of foreign operations	-	-	-	-	-	(2,191)	-	(2,191)	(422)	(2,613)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(2,191)	(369,713)	(371,904)	(37,310)	(409,214)
Released on expiry/forfeiture of share options	-	-	-	-	(2,120)	-	2,120	-	-	-
<b>At 30 June 2009</b>	686,450	965,881	1,933,719	16,428	1,055	311,262	(522,213)	3,392,582	857,030	4,249,612
<b>At 1 January 2010</b>	<b>686,450</b>	<b>965,881</b>	<b>1,911,423</b>	<b>12,836</b>	<b>3,692</b>	<b>327,286</b>	<b>47,739</b>	<b>3,955,307</b>	<b>823,549</b>	<b>4,778,856</b>
Issue of ordinary shares upon exercise of share options	5	30	13	-	(13)	-	-	35	-	35
Equity-settled share-based compensation expenses	-	-	-	-	892	-	-	892	-	892
<b>Transactions with owners</b>	<b>5</b>	<b>30</b>	<b>13</b>	<b>-</b>	<b>879</b>	<b>-</b>	<b>-</b>	<b>927</b>	<b>-</b>	<b>927</b>
<b>Loss for the period</b>	-	-	-	-	-	-	(133,821)	(133,821)	(44,170)	(177,991)
<b>Other comprehensive income</b>										
Exchange differences on translations of financial statements of foreign operations	-	-	-	-	-	54,150	-	54,150	1,928	56,078
<b>Total comprehensive income for the period</b>	-	-	-	-	-	54,150	(133,821)	(79,671)	(42,242)	(121,913)
Released on expiry/forfeiture of share options	-	-	-	-	(89)	-	89	-	-	-
<b>At 30 June 2010</b>	<b>686,455</b>	<b>965,911</b>	<b>1,911,436</b>	<b>12,836</b>	<b>4,482</b>	<b>381,436</b>	<b>(85,993)</b>	<b>3,876,563</b>	<b>781,307</b>	<b>4,657,870</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

### 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 2009.

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 (the “Board”) of the Company on 27 August 2010.

### 2. SIGNIFICANT 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 2009, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by HKICPA, which are relevant to and effective for the Group’s financial statements for the annual 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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***HKFRS 3 Business Combinations (Revised 2008)**

The revised standard 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 standard are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the consolidated income statement. 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 the revised standard 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.

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The Group considers that this is unlikely to have material financial impact on the Group. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)**HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)**

The adoption of HKFRS 3 (Revised 2008) required that the HKAS 27 (Revised 2008) is adopted at the same time. The revised standard introduced changes to the accounting requirements for transactions with non-controlling (formerly known as “minority”) interests and the loss of control of a subsidiary. Similar to HKFRS 3 (Revised 2008), the adoption of the revised standard is applied prospectively. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction. In addition, total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The adoption of the revised standard did not have material financial impact on the current interim results and financial position.

**Annual Improvements to HKFRSs 2009 – Amendment to HKAS 17 Leases**

The Improvements to HKFRSs 2009 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. The Group has reassessed the classification of unexpired prepaid land lease payments as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have material financial impact to the Group.

The adoption of other new HKFRSs has no material impact on the Group’s results and financial position for the current and prior periods.

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 2010. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and amended 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.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**3. SEGMENT INFORMATION**

The executive directors have identified the Group's five major services line as reportable segments: corporate IT application services, financial information services, distance learning education services, property development and culture and media services. Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". All other segments include trading of securities and property management. The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The segment results for the six months ended 30 June 2010 and 30 June 2009 are as follows:

	For the six months ended 30 June 2010						
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>Revenue</b>							
From external customers	292,133	9,710	3,724	539,494	216,550	8,308	1,069,919
From other segments	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>292,133</b>	<b>9,710</b>	<b>3,724</b>	<b>539,494</b>	<b>216,550</b>	<b>8,308</b>	<b>1,069,919</b>
<b>Reportable segment results</b>	<b>(76,929)</b>	<b>(19,421)</b>	<b>(1,061)</b>	<b>85,788</b>	<b>5,421</b>	<b>(84,515)</b>	<b>(90,717)</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**3. SEGMENT INFORMATION** (continued)

For the six months ended 30 June 2009							
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>Revenue</b>							
From external customers	183,327	9,814	2,071	-	55,891	4,971	256,074
From other segments	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>183,327</b>	<b>9,814</b>	<b>2,071</b>	<b>-</b>	<b>55,891</b>	<b>4,971</b>	<b>256,074</b>
<b>Reportable segment results</b>	<b>(113,562)</b>	<b>(21,006)</b>	<b>(2,818)</b>	<b>(33,293)</b>	<b>(12,815)</b>	<b>(3,623)</b>	<b>(187,117)</b>

The reportable segment assets as at 30 June 2010 and 31 December 2009 are as follows:

	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Property development HK\$'000	Culture and media services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>As at 30 June 2010</b>	<b>951,373</b>	<b>8,580</b>	<b>1,745</b>	<b>8,241,692</b>	<b>590,238</b>	<b>144,829</b>	<b>9,938,457</b>
As at 31 December 2009	832,815	10,079	919	8,327,132	482,431	310,208	9,963,584

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**3. SEGMENT INFORMATION** (continued)

The total presented for the Group's operating segments results are reconciled to the Group's key financial figures as presented in these condensed consolidated interim financial statements as follows:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Reportable segment revenues	<b>1,061,611</b>	251,103
All other segments revenues	<b>8,308</b>	4,971
Elimination of inter segment revenues	–	–
<b>Group revenues</b>	<b>1,069,919</b>	256,074
Reportable segment results	<b>(6,202)</b>	(183,494)
All other segments results	<b>(84,515)</b>	(3,623)
Bank interest income	<b>75</b>	41
Other interest income	<b>1,440</b>	10,015
Total interest income on financial assets not at fair value through profit or loss	<b>1,515</b>	10,056
Depreciation and amortisation	<b>(118)</b>	(259)
Finance costs	<b>(1)</b>	(186,340)
Gain on deemed disposal of partial interest in an associate	<b>4,969</b>	–
Share of results of associates	<b>(17)</b>	–
Loss on disposal of subsidiaries	<b>(58)</b>	–
Unallocated corporate expenses	<b>(30,451)</b>	(33,863)
<b>Loss before income tax</b>	<b>(114,878)</b>	(397,523)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**4. REVENUE/TURNOVER AND OTHER OPERATING INCOME**

- (a) The Group's turnover represents revenue from its principal activities as set out below:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Corporate IT application services	<b>292,133</b>	183,327
Financial information services	<b>9,710</b>	9,814
Distance learning education services	<b>3,724</b>	2,071
Sales of properties	<b>539,494</b>	–
Property management	<b>8,308</b>	4,971
Culture and media services	<b>10,466</b>	–
Ticketing income	<b>181,963</b>	48,008
Confectionery sales	<b>24,121</b>	7,883
	<b>1,069,919</b>	256,074

- (b) Other operating income:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Dividend income	<b>855</b>	12
Interest income on financial assets designated at fair value through profit or loss	<b>1,538</b>	7,192
Bank interest income	<b>1,052</b>	905
Other interest income	<b>3,475</b>	10,015
Total interest income on financial assets not at fair value through profit or loss	<b>4,527</b>	10,920
Net fair value gain on financial assets at fair value through profit or loss	–	303
Government grants	<b>7,449</b>	2,949
Gain on deemed disposal of partial interest in an associate	<b>4,969</b>	–
Rental income	–	1,787
Sundry income	<b>5,669</b>	4,142
	<b>25,007</b>	27,305

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**5. FINANCE COSTS**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>33,068</b>	91,703
Finance costs on finance from third parties wholly repayable within five years	<b>211,779</b>	171,134
Interest on other payables	<b>42</b>	4
Interest on finance leases	<b>1</b>	14
Interest on amounts due to shareholders	–	15,206
Total financial costs on financial liabilities not at fair value through profit or loss	<b>244,890</b>	278,061
Less: Amounts directly attributable to properties held for and under development capitalised	<b>(105,626)</b>	(88,726)
	<b>139,264</b>	189,335

**6. LOSS BEFORE INCOME TAX**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill	<b>33,881</b>	16,491
Gross depreciation of property, plant and equipment – Owned assets	<b>40,861</b>	26,581
Less: Amounts capitalised in intangible assets	<b>(14)</b>	(220)
Net depreciation of property, plant and equipment – Owned assets	<b>40,847</b>	26,361
Depreciation of property, plant and equipment – Leased assets	<b>13</b>	125
Depreciation of investment property	<b>54</b>	144
Operating lease charges on prepaid land lease	<b>659</b>	654
Net fair value loss/(gain) on financial assets at fair value through profit or loss	<b>80,009</b>	(303)
Loss on disposal of subsidiaries	<b>58</b>	–



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**7. INCOME TAX EXPENSE**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
The tax expense comprises:		
Current tax charge for the period		
– Hong Kong Profits Tax	<b>4,317</b>	7,423
– PRC Enterprise Income Tax	<b>53,401</b>	1,655
– PRC Land Appreciation Tax	<b>5,395</b>	–
	<b>63,113</b>	9,078

For the six months ended 30 June 2010, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 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 the PRC at 25% (six months ended 30 June 2009: 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.

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 2009: 15%).

No provision for US federal income tax and state income tax was made as the subsidiaries of the Group did not derive any assessable profit in US for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**8. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss attributable to the owners of the Company for the period of HK\$133,821,000 (six months ended 30 June 2009: HK\$369,713,000) and on the weighted average number of 68,645,527,507 (six months ended 30 June 2009: 68,645,035,794) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

The share options had 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.

**9. BUSINESS COMBINATION****Current period**

In January 2010, the Group, through its subsidiary entered into sales and purchases agreements to acquire 100% equity interest in a subsidiary, 北京中企動力廣告有限公司 (Beijing CE Dongli Advertising Limited), which engages in corporate IT application services, for a consideration of RMB1,000,000.

In April and June 2010, the Group, through its subsidiaries, entered into sales and purchases agreements to acquire 100%, 100% and 100% equity interest in subsidiaries namely 大地時代電影文化傳播(北京)有限公司 (Dadi Century Film (Beijing) Ltd.), 靠譜網絡科技(北京)有限公司 (Kaopu Network Technology (Beijing) Limited) and 哈票網絡科技(北京)有限公司 (Hipiao Network Technology (Beijing) Limited), all of which engage in culture and media services, for consideration of RMB1,000,000, RMB1,000,000 and RMB800,000 respectively.

These acquisitions were made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Since the acquisition, the subsidiaries in aggregate contributed HK\$3,956,000 to the Group's revenue and HK\$7,696,000 to the consolidated loss for the six months ended 30 June 2010.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**9. BUSINESS COMBINATION** (continued)**Current period** (continued)

Had the combinations been taken place at the beginning of the period, the revenue and the consolidated loss of the Group for the six months ended 30 June 2010 would have been HK\$1,072,232,000 and HK\$184,282,000 respectively.

The Group and Beijing CE Dongli Advertising Limited are parties to a tenancy agreement under which the Group leases an investment property to Beijing CE Dongli Advertising Limited at a fixed monthly rental rate and the amount is recognised in other operating income. This transaction does not have material financial impact on the Group.

Details of the provisional assets acquired and liabilities assumed and the corresponding goodwill are as follows:

	<b>Total HK\$'000</b>
Cash consideration	<b>4,568</b>
Provisional fair value of net liabilities assumed	<b>41,266</b>
Goodwill	<b>45,834</b>

The carrying amounts of the assets and liabilities of the acquired businesses approximate their provisional fair values and are as follows:

	<b>Total HK\$'000</b>
Net liabilities assumed:	
Property, plant and equipment	<b>1,105</b>
Intangible assets	<b>1,120</b>
Interest in an associate	<b>209</b>
Available-for-sale financial assets	<b>1,941</b>
Inventories	<b>843</b>
Trade receivables	<b>1,344</b>
Deposits, prepayments and other receivables	<b>67,710</b>
Cash and cash equivalents	<b>2,527</b>
Trade payables	<b>(711)</b>
Other payables and accruals	<b>(117,354)</b>
Provisional fair value of net liabilities assumed	<b>(41,266)</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**9. BUSINESS COMBINATION** (continued)**Current period** (continued)

As at the date of this interim report, the Group has yet to finalise the fair value assessments for net assets acquired from these acquisitions. The Group expects to finalise the assessments by 31 December 2010. Acquisition-related costs have been recognised as administrative expenses in the consolidated income statement. The goodwill is attributable to the future profitability of the above subsidiaries acquired and the significant synergies expected to arise after the Group's acquisitions. The goodwill that arose from these combinations is not expected to be deductible for tax purposes.

**Prior period**

In January and July 2009, the Group, through its subsidiaries, entered into sales and purchases agreements to acquire 100% and 53.06% equity interest in subsidiaries, 北京紅旗貳仟軟件技術有限公司 (Redflag 2000 Software Co. Ltd.) and Chinese Media Net, Inc. Details of these business combinations were disclosed in note 34(a) of the Group's annual financial statements for the year ended 31 December 2009.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of HK\$131,664,000 (six months ended 30 June 2009: HK\$31,150,000), excluding property, plant and equipment acquired through business combination (see note 9).

Property, plant and equipment with net book value of HK\$429,000 were disposed of by the Group during the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$206,000), resulting in a net loss on disposal of HK\$232,000 (six months ended 30 June 2009: HK\$120,000).

**11. GOODWILL**

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Opening net carrying amount	<b>240,530</b>	224,938
Acquisition of subsidiaries	<b>45,834</b>	15,400
Disposal of subsidiaries	<b>(6)</b>	–
Net exchange differences	<b>821</b>	192
Closing net carrying amount	<b>287,179</b>	240,530

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**12. TRADE RECEIVABLES**

Trade receivables are due on presentation of invoices. Based on the invoice dates, the aging analysis of trade receivables is as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
0-90 days	<b>77,572</b>	118,121
91-180 days	<b>3,119</b>	2,381
181-270 days	<b>7,804</b>	1,339
271-360 days	<b>2,354</b>	1,194
Over 360 days	<b>26,748</b>	25,918
Trade receivables, gross	<b>117,597</b>	148,953
Less: Provision for impairment of receivables	<b>(11,132)</b>	(10,898)
Trade receivables, net	<b>106,465</b>	138,055

**13. TRADE PAYABLES**

Based on the invoice dates, the aging analysis of trade payables is as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
0-90 days	<b>23,125</b>	307,104
91-180 days	<b>6,562</b>	4,695
181-270 days	<b>259,720</b>	35,337
271-360 days	<b>6,246</b>	239
Over 360 days	<b>44,409</b>	28,341
	<b>340,062</b>	375,716

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**14. BANK BORROWINGS, SECURED**

At 30 June 2010, the bank borrowings, which are denominated in RMB, were repayable as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Within one year	<b>371,267</b>	473,364
In the second year	<b>353,892</b>	432,057
In the third to fifth years	<b>115,300</b>	7,900
Wholly repayable within five years	<b>840,459</b>	913,321
Less: Portion due within one year under current liabilities	<b>(371,267)</b>	(473,364)
Portion due over one year under non-current liabilities	<b>469,192</b>	439,957

**15. SHARE CAPITAL**

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>HK\$'000</b>
Authorised:		
At 1 January 2009, 31 December 2009 and <b>30 June 2010</b>	<b>500,000,000,000</b>	<b>5,000,000</b>
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and 1 January 2010	68,645,035,794	686,450
Issue of ordinary shares upon exercise of share options	500,000	5
<b>At 30 June 2010</b>	<b>68,645,535,794</b>	<b>686,455</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**16. CONTINGENT LIABILITIES**

Guarantees given in connection with credit facilities granted to:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
An associate (note a)	<b>13,586</b>	13,197
Third parties (note b)	<b>65,660</b>	65,370
	<b>79,246</b>	78,567

Notes:

- (a) There have been no material developments in respect of pending litigation with the loan borrowed by an associate since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2009. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.
- (b) Up to the reporting date, information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness") disclosed in the Group's annual audited financial statements for the year ended 31 December 2009 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

**17. CAPITAL COMMITMENTS**

At 30 June 2010, the Group had outstanding capital commitments as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	<b>179,123</b>	177,358
– property, plant and equipment	<b>52,748</b>	65,237
	<b>231,871</b>	242,595

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**18. CREDIT FACILITIES**

At 30 June 2010, the Group's credit facilities were secured by the following:

- (a) charge over prepaid land lease payment for leasehold land with a net carrying value of approximately HK\$23,979,000 (31 December 2009: HK\$23,990,000);
- (b) charge over buildings with a net carrying value of approximately HK\$18,112,000 (31 December 2009: HK\$18,435,000);
- (c) charge over certain properties held for and under development for sale with carrying value of approximately HK\$979,106,000 (31 December 2009: HK\$537,757,000);
- (d) personal guarantee given by a director;
- (e) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK\$2,807,000 (31 December 2009: HK\$3,198,000);
- (f) pledge of 962,999,000 (31 December 2009: 962,999,000) shares in Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, held by the Company indirectly in favour of certain securities brokers, the total of which represents approximately 7.69% (31 December 2009: 7.69%) of total interest of the Company in Sino-i. The market value of such listed shares as at 30 June 2010 was approximately HK\$38,520,000 (31 December 2009: HK\$50,076,000);
- (g) pledge of certain debt securities for a standby letter of credit issued by a financial institution for a maximum amount not exceeding US\$25,000,000; and
- (h) pledge of certain bank deposits of approximately HK\$97,538,000 (31 December 2009: HK\$120,534,000).



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**19. RELATED PARTY TRANSACTIONS**

Directors' fees and remuneration were as follows:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Directors' fees	<b>486</b>	379
Basic salaries, housing, other allowances and benefits in kind	<b>1,386</b>	2,691
Pension scheme contributions	<b>101</b>	15
Share-based payments	<b>83</b>	107
	<b>2,056</b>	3,192

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

**20. 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 2009.

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, property development remained the Company's principal business, while culture and media services through Dadi Media (HK) Limited ("Dadi Media"), a subsidiary of the Company, and corporate IT application services, financial information services and distance learning education services through Sino-i, were also provided.

During the period, turnover was approximately HK\$1,069.9 million (6 months ended 30 June 2009: HK\$256.1 million) and net loss attributable to the owners of the Company was approximately HK\$133.8 million (6 months ended 30 June 2009: HK\$369.7 million). The net assets attributable to the owners of the Company were approximately HK\$3,876.6 million (31 December 2009: HK\$3,955.3 million), representing a value of approximately HK\$0.056 per share.

### Property Development Sector

During the period, turnover of this division was approximately HK\$539.5 million (6 months ended 30 June 2009: Nil) and net profit before income tax was approximately HK\$85.8 million (6 months ended 30 June 2009: net loss before income tax of HK\$33.3 million).

Positive sales were recorded for Phase 2 of the Group's flagship project of "The Peninsula" in Shenzhen despite the weakening property market under the austerity policies adopted by the central government. As a result, this division recorded a net profit before income tax in the first half of the year.

In the first half of 2010, Phase 2 of "The Peninsula" in Shenzhen realized about RMB470 million in sales. The development in Phases 1 and 3 of "Free City" (自由城) (formerly known as "Dongjing Xincheng (東鏡新城)") in Guangzhou, having gross floor area of approximately 330,000 sq.m. and above ground gross floor area of approximately 250,000 sq.m., of which approximately 210,000 sq.m. for residential and approximately 40,000 sq.m. for ancillary facilities, e.g. commercial, clubhouse and kindergarten etc., have been in construction since March this year, which all the substructures are planned to complete before the kick-off of the Asian Games in Guangzhou.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### IT Sector

##### *Corporate IT Application Services*

During the period, turnover of this division was approximately HK\$292.1 million (6 months ended 30 June 2009: HK\$183.3 million), having an increase of approximately 59.4% by comparing with the same period last year. Net loss before income tax was reduced to approximately HK\$76.9 million (6 months ended 30 June 2009: HK\$113.6 million).

The Group through 中企動力科技股份有限公司 (CE Dongli Technology Company Limited), a subsidiary of Sino-i, continued to focus on market development for website construction, mailbox and network sales platform. Both turnover and sales proportion of its self-developed products increased to a certain extent. However, given the on-going investments in R&D and expansion in operation, which are consistent with the persistent and significant investment strategy, so the overall business result has yet reached a prominent improvement.

##### *Financial Information Services*

During the period, turnover of this division was approximately HK\$9.7 million (6 months ended 30 June 2009: HK\$9.8 million) and net loss before income tax was approximately HK\$19.4 million (6 months ended 30 June 2009: HK\$21.0 million).

In light of the increasingly keen competition in the domestic financial information service industry, the business of 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua"), a subsidiary of Sino-i, progressed insignificantly. Given this macro-environmental situation, Shihua has reallocated its substantial resources to actively adjust product mix and optimize product development procedures in a timely manner so as to further strengthen the product competitiveness.

##### *Distance Learning Education Services*

During the period, turnover of this division was approximately HK\$3.7 million (6 months ended 30 June 2009: HK\$2.1 million) and net loss before income tax was approximately HK\$1.1 million (6 months ended 30 June 2009: HK\$2.8 million).

北京華夏大地遠程教育網絡服務有限公司(Beijing Chinese Dadi Distance Education Company Limited) ("Chinese Dadi"), a subsidiary of Sino-i, provided integrated academic assessment services for a wide range of learners by means of extensive cooperation with local education institutions. Meanwhile, Chinese Dadi continuously expanded its product lines and variety of services as well as professional aspects, which culminated a two-fold increase in the number of B2C learners over the previous year, which in turn marked an improvement in loss-making situation in this division.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### Culture and Media Sector

During the period, turnover of this division was approximately HK\$216.6 million (6 months ended 30 June 2009: HK\$55.9 million) and net profit before income tax was approximately HK\$5.4 million (6 months ended 30 June 2009: net loss before income tax of HK\$12.8 million).

Dadi Media continued to focus on and enhance the commitment to and development of the culture and media sector in 2010. As at 30 June 2010, there were 56 digital cinemas completed and in operation, having 202 screens and providing 38,487 seats. Additional 23 digital cinemas with 119 screens and 18,950 seats were still in the development stage. For the first half of 2010, Dadi digital cinemas recorded box office was approximately RMB159 million, representing a 279% growth as compared with the same period last year.

Benefiting from the rapid expansion of the number of cinemas and the rising operating results of cinemas in operation, the cinema construction and operation business starts to record profit. However, such other businesses as film production and distribution as well as “www.hipiao.com”, a specialized website featuring online and mobile seating selection and ticketing services, are still in the capital investment stage which requires considerable consumption of capital.

“www.hipiao.com” has officially commenced commercial operation, being the first real time online ticketing website in the PRC and receiving positive response from the markets. As at 30 June 2010, about 220,000 paid members signed up, and the members’ accumulated recharging value amounted to approximately RMB51.9 million for the first half of 2010, showing promising development potential.

Chinese Media Net, Inc., a company incorporated in the USA, provides overseas Chinese with a versatile platform of multimedia news services through various channels, namely the “DW Times”, “DW Life” Weekly and “www.duowei.com” website, etc.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### TECHNOLOGICAL DEVELOPMENT

The Group through 北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.), a subsidiary of Sino-i, strengthened its core capabilities in basic and application technologies, and achieved a certain extent of progress in such servicing sectors as domestic basic software, cloud computing and operation support.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2010, the net assets attributable to the owners of the Company amounted to approximately HK\$3,876.6 million (31 December 2009: HK\$3,955.3 million), including cash and bank balances of approximately HK\$453.3 million (31 December 2009: HK\$730.9 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 30 June 2010, the Group's aggregate borrowings were approximately HK\$3,598.3 million (31 December 2009: HK\$3,571.6 million), of which approximately HK\$3,103.8 million (31 December 2009: HK\$2,658.3 million) were bearing interest at fixed rates while approximately HK\$494.5 million (31 December 2009: HK\$913.3 million) at floating rates.

The gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 37.28% as at 31 December 2009 to 40.31% as at 30 June 2010.

Capital commitment of the Group as at 30 June 2010 was approximately HK\$231.9 million, of which approximately HK\$179.1 million will use as the construction expenses of the headquarter of our corporate IT application services, and approximately HK\$52.7 million will use as capital expenses for expanding cinema business.

The Group's contingent liabilities as at 30 June 2010 were approximately HK\$79.2 million due to the guarantees given in connection with credit facilities.

As at 30 June 2010, prepaid lease payments for leasehold land, buildings and certain properties held for and under development with a total net carrying value of approximately HK\$1,021.2 million and bank deposits of approximately HK\$97.5 million were pledged to secure credit facilities granted to the Group. In addition, certain debt securities and equity securities with a carrying amount of approximately HK\$2.8 million were pledged for a standby letter of credit up to US\$25.0 million issued by a financial institution and other credit facilities respectively.

## 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. The ever-growing economy of the PRC is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant to the Group during the period under review, the Group will keep on reviewing and monitoring the exchange fluctuation between Renminbi and Hong Kong dollars. For the funding in US dollars, despite Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may consider foreign exchange hedging arrangements as and 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 2010, the Group had approximately 10,021 employees (30 June 2009: 8,333 employees). The salaries of and allowances for employees for the six months ended 30 June 2010 were approximately HK\$309.9 million (6 months ended 30 June 2009: HK\$225.6 million).

### PROSPECT

In 2010, the PRC government has obviously shifted the focus of its austerity measures to "structural adjustment". Under such background, the Group will unswerving in adhering to its stated strategies and in line with the national economic development and structural adjustment, grasping the market opportunities to promote a healthy, orderly and highly effective growth in its all business sectors.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### PROSPECT *(continued)*

For the property development sector, the PRC government launched a series of austerity measures in April this year to cool off the overheat property market in the PRC and as a result the whole property market has been in a restructuring period. Under such market environment, the Group stays cautious towards the property market in the PRC for the second half of the year. Meanwhile, the Group will further enhance the return on investment in this sector by means of the on-going development of “The Peninsula” in Shenzhen as well as “Free City” in Guangzhou, replenishing its land bank as opportunities arise; and committing more resources to the property service sector.

For the culture and media sector, the Group will continue to strive for outstanding performance in the cinema construction and film distribution segments, increasing the number of digital cinemas and screens in operation so as to become one of the most promising growth new forces in the PRC film industry.

For the IT sector, the uncertainties over the rebound of the global economy will certainly hinder recovery progress of the economy in the PRC. Coupled with the changes in financial policies in the PRC, the overall market environment in 2010 will be more complicated and uncertain as compared to 2009. By adhering to the stated development direction, the Group will endeavor to expand its core businesses; continue to launch leading products and services by leveraging on its strong technical capabilities; step up marketing efforts to enhance corporate recognition; expand the market share through the expansion and optimization of its distribution channels; enhance the integration of internal resources for improvement of management efficiency and lower operation costs, with a view to consolidating and strengthening its leading position in the relevant business sectors.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, 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")	-	33,745,726,203 (Note 1)	69,326,400 (Note 2)	33,815,052,603	49.26%
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 33,745,726,203 shares, 30,003,232,705 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 Ltd., 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. 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 2010, 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 2010, none of the directors nor 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 as set out in Appendix 10 to the Listing Rules.

## 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.

The share options granted on 18 January 2007 at the exercise price of HK\$0.0714 per share expired at the close of the business on 18 January 2009.

On 20 April 2009, 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 per share.

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 30 June 2010
				Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Chen Dan	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
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
<b>Employees</b>								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	74,800,000	-	(500,000)*	(1,800,000)	72,500,000
		01-01-2011 to 31-12-2011	0.0702	78,500,000	-	-	(1,800,000)	76,700,000
<b>Other participants</b>								
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				182,200,000	-	(500,000)	(3,600,000)	178,100,000

\* The weighted average closing price of the shares immediately preceding the date on which the options were exercised was HK\$0.111.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2010, 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	Notes
Kung Ai Ming	Family and Corporate interest	33,815,052,603	49.26%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	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 Ltd.	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	60,900,000	0.09%	
	Security interest	7,700,000,000	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 Ltd.
3. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Ltd. 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 Ltd. 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 2010, 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED 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 2010.

## 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 2010, except for the deviations mentioned below:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("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 2010.

## 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 2010, and discussed the financial control, internal control and risk management systems.

By order of the Board

**Yu Pun Hoi**

*Chairman*

Hong Kong, 27 August 2010