

The background is a vibrant blue gradient with abstract light trails and circular patterns. A bright light source on the right side creates a lens flare effect, with several overlapping circles and streaks of light in shades of blue, white, and yellow. The overall aesthetic is modern and dynamic.

INTERIM REPORT **2010**

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 650

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CAO Jing (*Executive Chairman*)

ZHANG Shaohua (*Managing Director*)

Non-executive Directors

MO Tianquan

Independent Non-executive Directors

YE Jianping

PALASCHUK Derek Myles

YAO Xusheng

AUDIT COMMITTEE

PALASCHUK Derek Myles (*Chairman*)

YE Jianping

YAO Xusheng

REMUNERATION COMMITTEE

YAO Xusheng (*Chairman*)

YE Jianping

CAO Jing

NOMINATION COMMITTEE

YE Jianping (*Chairman*)

PALASCHUK Derek Myles

CAO Jing

COMPANY SECRETARY

POON Yan Wai

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Bank of East Asia Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre

111 Connaught Road Central

Hong Kong

AUDITORS

Ernst & Young

18th Floor, Two International Finance Centre

8 Finance Street, Central

Hong Kong

STOCK CODE

SEHK 650

WEBSITE

<http://www.irasia.com/listco/hk/shuncheong>

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

The Group had revenue from continuing operations of HK\$65.8 million for the six months ended 30 September 2010 (2009: HK\$64.6 million). Profit for the period was HK\$2.8 million (2009: HK\$2.2 million) which included profit from a discontinued operation of HK\$0.7 million (2009: loss of 0.4 million).

BUSINESS PROSPECT

After the disposal of the building services contracting and maintenance business, hotel and restaurant operations in the People's Republic of China will become the Group's principal business. The Group could utilise the proceeds from the disposal to invest in other potential business with prosperous growth and improve our existing core business in Nanning Hotel.

Recognising the efforts of the PRC government in promoting the economies of the less developed regions and the rapid development of local tourism industry in the second tier cities in the PRC, the Directors believe that the Nanning Hotel will enable the Group to capture the results of economic boom in Guangxi Zhuang Autonomous Region.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 30 September 2010, the Group had unpledged cash and bank deposits balances of approximately HK\$82.3 million (31 March 2010: HK\$86.9 million). As at 30 September 2010, the Group had outstanding bank borrowing for the amount of HK\$256.6 million (31 March 2010: HK\$256.6 million). The gearing ratio of the Group which represented the net debt divided by the total capital plus net debt, was 42% (31 March 2010: 44%).

Funding and Treasury Policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime rate of the People's Bank of China. The maximum bank borrowing granted by bank given to the Group and a subsidiary is HK\$361.6 million (31 March 2010: HK\$361.6 million). Taking into account of cash on hand and available credit facilities, the Group has sufficient working capital for its present requirement. The Renminbi has been pegged to a basket of currencies. Accordingly, the Group has minimal exposure to Renminbi exchange fluctuation.

Pledge of Assets

As at 30 September 2010, the hotel properties held with an aggregate net book value of approximately HK\$479.1 million (31 March 2010: HK\$486.8 million) were mortgaged to a bank to secure banking facilities granted to the Group.

CHAIRMAN'S STATEMENT

Investments

As at 30 September 2010, the Group had no investment in listed and unlisted equity securities (31 March 2010: Nil).

Contingent Liability

As at 30 September 2010, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

The Group employed approximately 610 employees as at 30 September 2010 (31 March 2010: 610). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to all eligible staff.

By Order of the Board

Cao Jing

Executive Chairman

Hong Kong, 29 November 2010

GENERAL INFORMATION

CORPORATE GOVERNANCE

Model for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2010.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules during the interim period, except that:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. 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.
2. CG Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman or Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.
3. CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Company's Remuneration Committee on 21 December 2005, which was subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

The remuneration of the executive directors and senior management of the Company is reviewed by the Remuneration Committee and recommended to the Board and the Chairman of the Board respectively for determination, taking into account of market pay and individual performance. In the opinion of the directors, the current practice serves the same purpose as laid down by the CG Code.

4. CG Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2010 annual general meeting due to other business engagement. An executive director had chaired the 2010 annual general meeting and answered questions from the shareholders. In the opinion of the directors, the Company had provided the useful and convenient forum for shareholders to exchange views with the Board, and with each other and had the same purposes as laid down by CG Code.

GENERAL INFORMATION

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The audit committee of the Company ("Audit Committee") comprises three directors, all of whom are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Yao Xusheng. Regular meetings have been held by the Audit Committee of the Company since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2010 have not been audited, but have been reviewed by the Audit Committee.

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

As at 30 September 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or 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 by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	209,753,409 (Note 1)	60.39%
Cao Jing	Family	209,753,409 (Note 2)	60.39%

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at 30 September 2010, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

GENERAL INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND SHORT POSITIONS AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2010, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name	Capacity and Nature of interests	Number of ordinary shares owned	Percentage of the Company's issued share capital
Upsky Enterprises Limited	Directly beneficially owned	209,753,409	60.39%

Save as disclosed above, as at 30 September 2010, no person, other than the director of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2010	2009
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
CONTINUING OPERATIONS			
REVENUE	2	65,834	64,620
Cost of sales		<u>(28,638)</u>	(30,020)
Gross profit		37,196	34,600
Other income	3	474	308
Administrative expenses		(24,496)	(19,961)
Other expenses		–	–
Finance costs	4	<u>(11,083)</u>	(12,334)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	2,091	2,613
Income tax expense	6	<u>–</u>	–
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		2,091	2,613
DISCONTINUED OPERATION			
Profit/(loss) for the period from discontinued operation	7	<u>749</u>	(416)
PROFIT FOR THE PERIOD		<u>2,840</u>	2,197
ATTRIBUTABLE TO:			
Owners of the parent		2,878	2,206
Non-controlling interests		<u>(38)</u>	(9)
		<u>2,840</u>	2,197

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

		Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	<i>Notes</i>		
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For profit for the period		0.83 cents	0.64 cents
– For profit from continuing operations		0.61 cents	0.76 cents
Diluted			
– For profit for the period		0.83 cents	0.64 cents
– For profit from continuing operations		0.61 cents	0.76 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	2,840	2,197
Other comprehensive income, net of tax	—	—
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,840	2,197
	<hr/>	<hr/>
Attributable to:		
Equity holders of the parent	2,878	2,206
Non-controlling interests	(38)	(9)
	<hr/>	<hr/>
	2,840	2,197
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
	<i>Notes</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	479,175	488,154
Deferred tax assets	1,025	1,025
Total non-current assets	<u>480,200</u>	<u>489,179</u>
CURRENT ASSETS		
Inventories	3,363	3,126
Gross amount due from contract customers	–	547
Trade receivables	9 12,209	15,825
Prepayments, deposits and other receivables	15,342	9,497
Cash and cash equivalents	82,342	86,901
Total current assets	<u>113,256</u>	<u>115,896</u>
CURRENT LIABILITIES		
Gross amount due to contract customers	–	6,046
Trade payables	10 12,622	7,320
Other payables and accruals	25,227	45,775
Interest-bearing bank borrowing – current portion	3,390	3,390
Tax payable	3,130	–
Total current liabilities	<u>44,369</u>	<u>62,531</u>
NET CURRENT ASSETS	<u>68,887</u>	<u>53,365</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>549,087</u>	<u>542,544</u>
NON-CURRENT LIABILITIES		
Convertible bonds	95,318	91,113
Interest-bearing bank borrowing	253,120	253,120
Total non-current liabilities	<u>348,438</u>	<u>344,233</u>
Net assets	<u>200,649</u>	<u>198,311</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	3,473	3,473
Equity component of convertible bonds		43,272	43,272
Reserves		153,179	150,301
		199,924	197,046
Non-controlling interests		725	1,265
Total equity		200,649	198,311

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Capital redemptions reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling Interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010	3,473	119,068	46,909	43,272	132	(15,808)	197,046	1,265	198,311
Elimination on disposal of subsidiary	-	-	-	-	-	-	-	(502)	(502)
Profit for the period and total comprehensive income	-	-	-	-	-	2,878	2,878	(38)	2,840
At 30 September 2010	3,473	119,068	46,909	43,272	132	(12,930)	199,924	725	200,649
At 1 April 2009	3,473	119,068	46,909	43,272	132	(16,441)	196,413	1,397	197,810
Profit for the period and total comprehensive income	-	-	-	-	-	2,206	2,206	(9)	2,197
At 30 September 2009	3,473	119,068	46,909	43,272	132	(14,235)	198,619	1,388	200,007

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	2,914	21,601
Net cash outflow from investing activities	(7,473)	(6,000)
Net cash outflow from financing activities	–	(3,390)
Net (decrease)/increase in cash and cash equivalents	(4,559)	12,211
Cash and cash equivalents at beginning of period	86,901	72,560
Cash and cash equivalents at end of period	82,342	84,771
 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	74,496	80,258
Non-pledged time deposits with original maturity of less than three months when acquired	7,846	4,513
	82,342	84,771

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2010 have been prepared in accordance with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited 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 Group's annual financial statements for the year ended 31 March 2010.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 (Amendments)	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards-Additional Exemptions for First-time Adopters</i>
HKFRS 2 (Amendments)	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendments	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in Improvement to HKFRSs issued in October 2009	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the Controlling interest in a Subsidiary</i>
HK Interpretation 4	<i>Leases – Determination of the Length of Lease Term in Respect of Hong Kong Land Leases</i>
Annual Improvements Project	<i>Improvements to HKFRSs 2009</i>

The adoption of the new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the hotel business consists of the Hotel and restaurant operations in PRC; and
- (b) the building services contracting and maintenance business consists of the provision of building related maintenance services. During the period, the Group sold the whole of the building services contracting and maintenance business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Segment results:

	For the six months ended 30 September					
	Continuing operations		Discontinued operation			
	Hotel Business		Building Services Contracting and Maintenance Business		Total	
	2010 (Unaudited) HK\$'000	2009 HK\$'000	2010 (Unaudited) HK\$'000	2009 HK\$'000	2010 (Unaudited) HK\$'000	2009 HK\$'000
Segment revenue						
Sales to external customers	65,834	64,620	1,321	12,960	67,155	77,580
Other revenue	436	290	496	182	932	472
Revenue	66,270	64,910	1,817	13,142	68,087	78,052
Segment results	13,136	14,929	749	(406)	13,885	14,523
Interest income					38	18
Unallocated expenses					(4,807)	(4,400)
Finance costs					(6,276)	(7,944)
Profit before tax					2,840	2,197
Income tax expense					-	-
Profit for the period					2,840	2,197

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OTHER REVENUE

An analysis of other revenue from continuing operations is as follows:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest income	38	18
Other	436	290
	474	308

4. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	6,276	7,934
Interest on convertible bonds	4,807	4,400
	11,083	12,334

No interest was capitalised by the Group in both periods.

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging the following:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Cost of services provided	28,638	30,020
Depreciation	14,299	14,019
Minimum lease payments under operating leases in respect of land and buildings	92	76
Employee benefit expense (including directors' remuneration)	8,625	7,128

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the period or have available tax losses brought forward from prior years to offset the assessable profits generated during the period (2009: Nil).

No provision for PRC corporate income tax has been made as the Group has sufficient tax loss brought forward to offset the assessable profits for the period.

7. DISCONTINUED OPERATION

On 21 September 2010, the Company announced the decision of its board of directors to dispose of its entire interest in Super Highway Services Limited and its subsidiaries (collectively the "Disposed Group"). The Disposed Group is engaged in the building services contracting and maintenance business. The disposal of the Disposed Group was completed on 28 September 2010. As at 30 September 2010, no assets or liabilities of the Group were attributable to this discontinued operation.

	2010	2009
	HK\$'000	HK\$'000
Revenue	1,817	13,142
Expenses	(1,517)	(13,548)
Finance costs	–	(10)
	<hr/>	<hr/>
Profit/(loss) of the discontinued operation	300	(416)
Gain on disposal of the Disposed Group	449	–
	<hr/>	<hr/>
Profit/(loss) before tax from the discontinued operation	749	(416)
Income tax expense	–	–
	<hr/>	<hr/>
Profit/(loss) for the period from the discontinued operation	749	(416)
	<hr/>	<hr/>
Attributable to:		
Owners of the parent	749	(437)
Non-controlling interests	–	21
	<hr/>	<hr/>
	749	(416)
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by the Disposed Group are as follows

	2010	2009
	HK\$'000	HK\$'000
Operating activities	1,358	1,491
Investing activities	(6,283)	–
Financing activities	–	–
	<hr/>	<hr/>
Net cash inflow/(outflow)	(4,925)	1,491
	<hr/>	<hr/>
Earnings/(loss) per share:		
Basic, from the discontinued operation	0.22 cents	(0.13 cents)
Diluted, from the discontinued operation	0.11 cents	(0.13 cents)
	<hr/>	<hr/>

The calculation of basic and diluted earnings/(loss) per share from discontinued operation are based on:

	2010	2009
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	HK\$749,000	(HK\$437,000)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issued during the period used in the basic earnings per share calculation	347,326,000	347,326,000
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	672,089,193	347,326,000
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issues during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 September 2010 and 2009 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of basic earnings and diluted earnings per share amount are based on:

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	2,129	2,643
From a discontinued operation	749	(437)
	2,878	2,206
Interests on convertible bonds	4,807	4,400
Profit attributable to ordinary equity holders of the parent before interests on convertible bonds	7,685*	6,606*
Attributable to:		
Continuing operations	6,936*	7,043
Discontinued operation	749	(437)
	7,685*	6,606*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	347,326,000	347,326,000
Effect of dilution of the convertible bonds on the weighted average number of shares	324,763,193	324,763,193
	672,089,193*	672,089,193*

* Because the diluted earnings per share amount increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the periods and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the period and profit attributable to continuing operations of HK\$2,878,000 (2009: HK\$2,206,000) and the weighted average number of ordinary shares of 347,326,000 (2009: ordinary shares 347,326,000) in issue during the period.

9. TRADE RECEIVABLES

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Trade receivables	13,398	19,085
Impairment	(1,189)	(3,260)
	12,209	15,825

The Group grants to its trade customers credit periods that normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationships with the Group and with strong financial positions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. TRADE RECEIVABLES (CONTINUED)

An aged analysis for the trade receivables as at 30 September 2010, based on invoice date and net of impairment of trade receivables, is as follows:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
0 – 30 days	4,896	5,084
31 – 60 days	1,177	2,107
61 – 90 days	425	286
Over 90 days	5,711	8,348
	12,209	15,825

10. TRADE PAYABLES

An aged analysis of trade payables as at 30 September 2010, based on invoice date, is as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Current to 30 days	6,155	2,343
31 – 60 days	1,718	2,294
Over 60 days	4,749	2,683
	12,622	7,320

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. SHARE CAPITAL

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Authorised: 8,000,000,000 ordinary shares of HK\$0.01 each	80,000	80,000
Issued and fully paid: 347,326,000 ordinary shares of HK\$0.01 each	3,473	3,473

12. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. A lease for an office property is negotiated for a term of three years.

As at 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within one year	564	564
In the second to fifth years, inclusive	491	773
	1,055	1,337

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 12 above, the Group had the following capital commitment as at 30 September 2010:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Contracted, but not provided for, capital contribution payable to a jointly-controlled entity	11,934	11,934

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at 30 September 2010.

15. RELATED PARTY TRANSACTION

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the six months ended 30 September 2010:

	<i>Note</i>	Six months ended 30 September 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest expenses on convertible bonds paid or payable to a related company	<i>(i)</i>	601	601

Note:

- (i) Interest expenses on convertible bonds were paid or payable to Tanisca Investments Limited ("Tanisca") at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 60.39% of the total issued share capital of the Company as at 30 September 2010.
- (b) Compensation of key management personnel of the Group

	Six months ended 30 September 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short-term employee benefits	1,050	863
Post-employment benefits	6	6
Total compensation paid to key management personnel	1,056	869