



COSMOPOLITAN
INTERNATIONAL HOLDINGS LTD
四海國際集團有限公司

(incorporated in the Cayman Islands with limited liability)
(stock code : 120)

2010

Interim Report

COSMOPOLITAN



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Bong Shu Yin, Daniel (*Chairman*)
Mr. Cheng Sui Sang

Non-executive Directors:

Mr. Wang Baoning (*Vice Chairman*)
Mr. Bong Shu Ying, Francis
Mr. Ng Kwai Kai, Kenneth
Mr. Leung So Po, Kelvin
Mr. Wong Po Man, Kenneth

Independent Non-executive Directors:

Mr. Li Ka Fai, David
Mr. Lee Choy Sang
Ms. Ka Kit

AUDIT COMMITTEE

Mr. Li Ka Fai, David (*Chairman*)
Mr. Lee Choy Sang
Ms. Ka Kit

REMUNERATION COMMITTEE

Mr. Bong Shu Yin, Daniel (*Chairman*)
Mr. Lee Choy Sang
Mr. Li Ka Fai, David

SECRETARY

Mr. Cheng Sui Sang

AUDITORS

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

P O Box 309, George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801-802, 8th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Industrial and Commercial Bank of
China (Asia) Limited
ABN AMRO Bank N.V.
Deutsche Bank A.G.
Standard Chartered Bank (Hong Kong)
Limited



GROUP FINANCIAL RESULTS

Cosmopolitan International Holdings Limited (the “Company”) together with its subsidiaries (the “Group”) recorded an unaudited consolidated loss of approximately HK\$103,801,000 for the six months ended 30 September 2010, as compared to a profit of HK\$33,625,000 achieved in the six months ended 30 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company had made a profit warning announcement on 12 November 2010 informing the shareholders that the Group would record a loss for the six months ended 30 September 2010, as compared with a profit in the last comparative period, due mainly to the recognition of an increase in fair value of derivative financial liability, in compliance with the applicable accounting standards, relating to the subscription options (“Subscription Options”) granted by the Group in 2008 for the subscription of additional 2013 convertible bonds.

As explained in the said profit warning announcement, such derivative financial liability and the related loss arising from the change in fair value are non-cash in nature and the Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets.

The consolidated loss recorded for the period under review was attributed mainly to the following factors: -

- (i) There was a drop in revenue from HK\$12,858,000 for the six months ended 30 September 2009 to HK\$2,667,000 in the period under review.
- (ii) Due to the recognition in the financial statements of the increase in the fair value of the derivative financial liability of HK\$87,464,000, as assessed by an independent professional valuer relating to the Subscription Options, there was a net loss of HK\$84,220,000 on changes in fair value of the financial instruments for the six months ended 30 September 2010, as compared to a net gain recorded in the six months ended 30 September 2009 of HK\$30,355,000.
- (iii) There was a net loss of HK\$1,945,000 on disposal of financial assets at fair value through profit or loss for the period under review, as compared to a net gain of HK\$13,793,000 during the six months ended 30 September 2009.

- (iv) There was an increase in finance costs from HK\$17,155,000 for the six months ended 30 September 2009 to HK\$20,970,000 in the period under review, which were mostly amortised interest on the outstanding convertible bonds.
- (v) There was a gain of HK\$9,707,000, recognised in accordance with the applicable accounting standards, due to the change in fair value of convertible bonds arising from the extension of the maturity date of the convertible bonds, which were originally due in May 2010, to May 2011.

In order to more fairly reflect the financial results and the underlying net assets value of the Group, management of the Group considers it appropriate to also present, for the purpose of reference, supplementary information on the Group's financial results for the six months ended 30 September 2010 and net assets position as at 30 September 2010, compiled on an adjusted basis that the loss arising from the change in fair value of the Subscription Options would be excluded and that such derivative financial liability would be de-recognized. On such adjusted basis, the Group would record adjusted net loss of HK\$16,254,000 for the six months ended 30 September 2010 and adjusted net assets value of HK\$228,141,000 as at 30 September 2010, as illustrated below :-

Adjusted net loss

	For the six months ended 30 September 2010
	HK\$'000
Book loss attributable to owners of the Company	(103,718)
Adjustment to exclude the loss on change in fair value of the Subscription Options	87,464
	<hr/>
Unaudited adjusted net loss attributable to owners of the Company	(16,254)
	<hr/> <hr/>



Adjusted net assets after non-controlling interests

	As at 30 September 2010
	<i>HK\$'000</i>
Deficiency in net book assets after non-controlling interests	(294,247)
Adjustment to de-recognize the derivative financial liability attributable to the Subscription Options	<u>522,388</u>
Unaudited adjusted net assets after non-controlling interests	<u><u>228,141</u></u>

BUSINESS REVIEW

General

The principal activities of the Group during the period under review continue to be properties development and investment, securities investments and other investments. The turnover of the Group for the period under review was HK\$120,074,000, as compared to HK\$32,340,000 in the comparative period last year, mainly attributed to the increased activities in securities investments. The economic climate and overall business sentiment in Hong Kong and the People's Republic of China (the "PRC") have rapidly rebounded during the past 12 months and, apart from property projects, the Group has recently been actively exploring to expand into investment projects related to natural resources. As at 30 September 2010, cash and bank deposits within the Group amounted to HK\$222,503,000, which would enable the Group to take up suitable investment opportunities.

The negotiations with the vendors on the proposed acquisition by Cosmopolitan Resources Holdings Limited ("CRHL"), a wholly-owned subsidiary of the Company, on certain interest in oilfields in West Siberian basin in Russia as announced in April 2010 are still in progress, despite that the exclusivity period of 6 months as stated in the memorandum of understanding entered into in respect of the proposed acquisition has expired. So far, no definitive agreement has been signed.

On 13 October 2010, CRHL entered into a memorandum of understanding with the vendors for the possible acquisition of liquefied natural gas businesses in the PRC. Negotiations are in progress but no definitive agreement has been reached with the vendors so far.

Property Investments and Development Projects

Chengdu Project

The development works in Xindu District, Chengdu City, Sichuan Province, the PRC which is operated through a joint venture that is 50% owned by each of the Group and Regal Hotels International Holdings Limited, are progressing. The marketing programme is still under review and the launching of the presale of the residential units comprised in the first stage of the development project has been rescheduled to the second half of 2011.

Xinjiang Project

There has been certain delay in the negotiations with the relevant government authorities for the possible renewal of the relevant agreement for completion of the required re-forestation work, as the PRC government is re-formulating its policies in respect of land swap for re-forestation. The Group is hopeful that it may eventually restore the viability of the project, and in the meantime, the Group is keeping proper maintenance to the re-forestation landscape of the project.

Rainbow Lodge

The Group owns ten duplex apartment units plus fourteen carparks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories. The Group is devising plans to remodify the units with a view to enhancing their market value.

Securities Investments

The Group continues to maintain an active investment portfolio of listed securities. Total financial assets at fair value through profit and loss stood at HK\$169,806,000 as at 30 September 2010.



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Current assets and current liabilities of the Group as at 30 September 2010 were HK\$393,935,000 and HK\$747,803,000, respectively (31 March 2010: HK\$398,238,000 and HK\$662,315,000, respectively). Included within the current liabilities of HK\$747,803,000 as at 30 September 2010 (31 March 2010: HK\$662,315,000) was an amount of HK\$522,388,000 (31 March 2010: HK\$434,924,000) which represented derivative financial liabilities relating to the subscription options for the subscription of additional 2013 convertible bonds. As explained above, these amounts were only recognized as derivative financial liabilities in compliance with the applicable accounting standards and the Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets. Cash and bank deposits stood at HK\$222,503,000 as at 30 September 2010, as compared to HK\$175,266,000 as at 31 March 2010.

The Group's gearing ratio as at 30 September 2010, based on net borrowings (represented by convertible bond borrowings net of cash and bank deposits) as a percentage of total assets, was approximately 25% (31 March 2010: 31%).

During the period under review, the Group did not use any financial instruments for hedging purposes and there was no hedging instrument outstanding as at 30 September 2010.

During the period under review, 10,250,000 new ordinary shares (before adjustment for the share sub-division) were issued as a result of the conversion of a principal amount of HK\$2,050,000 of the convertible bonds due 2010 into ordinary shares of the Company. Effective on 30 August 2010, each of the existing issued and unissued ordinary shares of the Company of HK\$0.001 each was sub-divided into five ordinary shares of HK\$0.0002 each. The total number of issued and outstanding ordinary shares of the Company (following the share sub-division becoming effective) was 11,318,464,285 as at 30 September 2010.

CONTINGENT LIABILITIES

There was no outstanding contingent liability of the Group as at 30 September 2010 (31 March 2010: Nil).

CAPITAL COMMITMENT

The Group has capital commitment of HK\$72,926,000 outstanding as at 30 September 2010 (31 March 2010: HK\$73,369,000).

OUTLOOK

The global economy has generally stabilized and improved since the second quarter of 2009, after massive fiscal and monetary stimulus and credit expansion in various countries around the world, but there are still uncertainties in the healthy recovery of certain economies. The property and stock markets in the PRC and Hong Kong have staged substantial recovery and the overall economy in the PRC has performed relatively well, especially as compared with the western economies. The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. The Group is negotiating with the relevant government authorities in the restoration of the Xinjiang Project and is cautiously optimistic that the current problems encountered would eventually be resolved satisfactorily. In the meantime, the Group is also actively reviewing other potential investment projects, particularly projects in the natural resources sector in the PRC and elsewhere, with a view to achieving for the Group asset growth and profitability.

The Directors are confident that with the resources available at present, the Group will be able to progress ahead and to create long term value to the shareholders.

HUMAN RESOURCES

As at 30 September 2010, the Group had two Executive Directors, five Non-executive Directors and three Independent Non-executive Directors. There are twenty-two full time employees working in Hong Kong and the PRC. The Group will ensure each employee is fairly compensated and their contributions are rewarded in accordance with the formulated framework of the Group's salary and bonus scheme and are compatible with market norm.



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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2010.

DIRECTORS' INTERESTS IN SHARE CAPITAL

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 30 September 2010, none of the Directors nor their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2010, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Number of shares held	Percentage of the Company's share capital
Giant Sino Group Limited (<i>Note 1</i>)	4,403,576,090	38.91%
Lendas Investments Limited (<i>Note 2</i>)	1,000,000,000	8.84%
Winart Investments Limited (<i>Note 2</i>)	900,000,000	7.95%
Fountain Sky Limited (<i>Note 2</i>)	334,000,000	2.95%
Great Prospect Development Limited (<i>Note 3</i>)	658,214,285	5.82%
Profit Giant Holdings Limited (<i>Note 3</i>)	338,030,460	2.99%

Pursuant to an ordinary resolution duly passed by shareholders of the Company at the extraordinary general meeting held on 27 August 2010, each of the then existing issued and unissued shares of HK\$0.001 each in the share capital of the Company was subdivided into 5 shares of HK\$0.0002 each with effect from 30 August 2010.

Save as disclosed herein, there was no other person who, as at 30 September 2010, had an interest or share position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

Notes:

1. Giant Sino Group Limited is a wholly owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Bong Shu Yin, Daniel (being the Chairman of the Company and an Executive Director) and as to 28% by Mr. Wang Baoning (being the Vice-Chairman of the Company and a Non-executive Director). Space Capital Investments Limited was deemed to be interested in the 4,403,576,090 shares held by Giant Sino Group Limited.



2. Each of Lendas Investments Limited and Winart Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg Holdings Limited (“Paliburg”).

Fountain Sky Limited is a wholly owned subsidiary of Regal Hotels (Holdings) Limited, which is in turn a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels International Holdings Limited (“Regal Hotels”). Regal Hotels is the listed associate of, and was owned as to 49.17% as at 30 September 2010 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg.

Paliburg is the listed subsidiary of, and was owned as to 58.98% as at 30 September 2010 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City International Holdings Limited (“Century City”), which is a listed company controlled by, and was owned as to 50.66% as at 30 September 2010 by, Mr. Lo Yuk Sui.

Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the shares held by Lendas Investments Limited, Winart Investments Limited and Fountain Sky Limited under Part XV of the SFO.

3. Great Prospect Development Limited is a wholly owned subsidiary of International Securities Investments Limited which in turn is wholly owned subsidiary of Capital Builder Investments Limited which in turn is a wholly owned subsidiary of Wan’s Family Company Limited which in turn is wholly owned by Ms. Wan Ho Yan, Letty.

Profit Giant Holdings Limited is wholly owned by Ms. Wan Ho Yan, Letty.

Ms. Wan Ho Yan, Letty was deemed to be interested in the 658,214,285 shares held by Great Prospect Development Limited and 338,030,460 shares held by Profit Giant Holdings Limited respectively under Part XV of the SFO.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2011 issued by Fancy Gold Limited, a wholly-owned subsidiary of the Company ("Convertible Bonds due 2011-A") (Note 2)

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2011-A issued	Adjusted conversion price per share (subject to adjustment)	Extended conversion period	Approximate % of issued share capital of the Company
Valuegood International Limited (Note 1)	3,536,250,000	HK\$0.04	16 July 2007 to 2 May 2011	31.24%

Notes:

- Valuegood International Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, and was owned as to 49.17% as at 30 September 2010 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 58.98% as at 30 September 2010 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 50.66% as at 30 September 2010 by, Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the Convertible Bonds due 2011-A held by Valuegood International Limited under Part XV of the SFO.
- The Company, Fancy Gold Limited and Valuegood International Limited had entered into the extension agreement to extend the maturity date of the convertible bonds from 16 May 2010 to 16 May 2011, such extension was approved by independent shareholders of the Company in the extraordinary general meeting of the Company held on 7 June 2010.



Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2013 that have been issued or may be issued by Apex Team Limited, a wholly-owned subsidiary of the Company (“Convertible Bonds due 2013”)

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2013 issued	Adjusted conversion price per share (subject to adjustment)	Conversion period	Approximate % of issued share capital of the Company
Time Crest Investments Limited (Note 1)	1,666,666,666	HK\$0.06	29 February 2008 to 31 January 2013	14.73%
Well Mount Investments Limited (Note 1)	1,666,666,666 (Note 3)	HK\$0.06	14 days after the date of issue (Note 3) to 31 January 2013	14.73%
Jumbo Pearl Investments Limited (Note 2)	1,666,666,666	HK\$0.06	29 February 2008 to 31 January 2013	14.73%
Sun Joyous Investments Limited (Note 2)	1,666,666,666 (Note 3)	HK\$0.06	14 days after the date of issue (Note 3) to 31 January 2013	14.73%

Notes:

1. Each of Time Crest Investments Limited and Well Mount Investments Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, and was owned as to 49.17% as at 30 September 2010 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 58.98% as at 30 September 2010 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City, which is a listed company controlled by, and was owned as to 50.66% as at 30 September 2010 by, Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013 held by Time Crest Investments Limited and Well Mount Investments Limited under Part XV of the SFO.

2. Each of Jumbo Pearl Investments Limited and Sun Joyous Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 58.98% as at 30 September 2010 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 50.66% as at 30 September 2010 by, Mr. Lo Yuk Sui. Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013 held by Jumbo Pearl Investments Limited and Sun Joyous Investments Limited under Part XV of the SFO.
3. As at 30 September 2010, Well Mount Investments Limited and Sun Joyous Investments Limited have not exercised their options to subscribe for the relevant Convertible Bonds due 2013.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2011 issued by Ample Legend Limited, a wholly-owned subsidiary of the Company ("Convertible Bonds due 2011")

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2011 issued	Adjusted conversion price per share (subject to adjustment)	Conversion period	Approximate % of issued share capital of the Company
Great Select Holdings Limited (Note 1)	466,666,666	HK\$0.06	4 March 2009 to 18 February 2011	4.12%

Note:

1. Great Select Holdings Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 58.98% as at 30 September 2010 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 50.66% as at 30 September 2010 by, Mr. Lo Yuk Sui. Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the Convertible Bonds due 2011 held by Great Select Holdings Limited under Part XV of the SFO.



CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) during the six months ended 30 September 2010, except that:

- (1) The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual; and
- (2) The Non-executive Directors and the Independent Non-executive Directors should be appointed for specific terms.

The deviation in item (1) above is due to the practical necessity and effective management on account of the Group’s corporate operating structure.

Although the Non-executive Directors and the Independent Non-executive Directors of the Company were not appointed for specific terms, arrangements have been put in place such that all Directors would retire and are subject to re-election, either in accordance with the articles of association of the Company or on a voluntary basis, at least once every three years.

Model Code for Securities Transactions by Directors

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by Directors. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2010.

REVIEW OF RESULTS

The Audit Committee of the Company currently comprises Mr. Li Ka Fai, David (Chairman of the Committee), Mr. Lee Choy Sang and Ms. Ka Kit, all of them are Independent Non-executive Directors of the Company.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group as well as the auditing, internal control and financial reporting matters, including the review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2010.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 20 December 2005. The remuneration committee presently comprises the Chairman, Mr. Bong Shu Yin, Daniel and two Independent Non-executive Directors, namely, Mr. Li Ka Fai, David and Mr. Lee Choy Sang. The remuneration committee holds at least one meeting every year. The principal responsibilities of the remuneration committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors and members of the senior management. The remuneration and the employment contracts of any newly appointed Directors and any compensation of removal and dismissal of Directors have to be reviewed and approved by the remuneration committee.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
Turnover	3	120,074	32,340
Revenue		2,667	12,858
Net (loss) gain on disposal of financial assets at fair value through profit or loss		(1,945)	13,793
Other operating income		355	1,332
(Loss) gain on changes in fair value of financial instruments, net	4	(84,220)	30,355
Administration expenses		(8,478)	(7,079)
Share of results of jointly controlled entities		(917)	(422)
Finance costs		(20,970)	(17,155)
Gain on change in fair value of convertible bonds arising from extension of maturity date		9,707	—
(Loss) profit before tax	5	(103,801)	33,682
Income tax expense	6	—	(57)
(Loss) profit for the period		(103,801)	33,625

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
Other comprehensive income		
Exchange difference arising on translating foreign subsidiary during the period	332	8
Share of other comprehensive income of jointly controlled entities	3,518	180
Other comprehensive income for the period	<u>3,850</u>	<u>188</u>
Total comprehensive (loss) income for the period	<u>(99,951)</u>	<u>33,813</u>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
	<i>Note</i>	
(Loss) profit for the period attributable to:		
Owners of the Company	(103,718)	33,625
Non-controlling interests	(83)	—
	(103,801)	33,625
Total comprehensive (loss) income attributable to:		
Owners of the Company	(99,887)	33,813
Non-controlling interests	(64)	—
	(99,951)	33,813
(Loss) earnings per share	8	
– Basic	(0.92) HK cent	0.30 HK cent (Restated)
– Diluted	(0.92) HK cent	0.26 HK cent (Restated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Non-current assets			
Property, plant and equipment	9	250	259
Investment properties		75,000	75,000
Interests in jointly controlled entities		179,191	176,147
		254,441	251,406
Current assets			
Prepayments, deposits and other receivables		1,626	1,071
Financial assets at fair value through profit or loss	10	169,806	221,901
Pledged bank deposits		—	506
Deposits placed with security brokers		3,864	32,350
Cash and bank balances		218,639	142,410
		393,935	398,238
Current liabilities			
Accrued liabilities and other payables		5,947	4,512
Amount due to a related company		—	1,479
Derivative financial liabilities	11	522,388	434,924
Provisions		1,148	1,148
Income tax payable		28,010	28,010
Convertible bonds		190,310	192,242
		747,803	662,315



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2010

		30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
	<i>Note</i>		
Net current liabilities		(353,868)	(264,077)
Total assets less current liabilities		(99,427)	(12,671)
Non-current liability			
Convertible bonds		194,884	183,994
		(294,311)	(196,665)
Capital and reserves			
Share capital	12	2,264	2,253
Reserves		(296,511)	(198,918)
Capital deficiency attributable to owners of the Company		(294,247)	(196,665)
Non-controlling interests		(64)	—
		(294,311)	(196,665)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange fluctuation reserve	Contributed surplus (Note a)	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010 (audited)	2,253	165,029	209	1,018	4,908	26,801	29,373	(426,256)	(196,665)	—	(196,665)
Total comprehensive income (loss) for the period	—	—	—	—	3,831	—	—	(103,718)	(99,887)	(64)	(99,951)
Conversion of convertible bonds	11	2,430	—	—	—	—	(136)	—	2,305	—	2,305
Adjustment for extension of convertible bonds (Note b)	—	—	—	—	—	—	450	(450)	—	—	—
At 30 September 2010 (unaudited)	<u>2,264</u>	<u>167,459</u>	<u>209</u>	<u>1,018</u>	<u>8,739</u>	<u>26,801</u>	<u>29,687</u>	<u>(530,424)</u>	<u>(294,247)</u>	<u>(64)</u>	<u>(294,311)</u>
At 1 April 2009 (audited)	2,253	165,029	209	28,309	4,122	26,801	29,373	(123,794)	132,302	—	132,302
Total comprehensive income for the period	—	—	—	—	188	—	—	33,625	33,813	—	33,813
Forfeiture of unclaimed dividend	—	—	—	—	—	—	—	134	134	—	134
At 30 September 2009 (unaudited)	<u>2,253</u>	<u>165,029</u>	<u>209</u>	<u>28,309</u>	<u>4,310</u>	<u>26,801</u>	<u>29,373</u>	<u>(90,035)</u>	<u>166,249</u>	<u>—</u>	<u>166,249</u>

Note a: The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group reorganisation in 1991, net of subsequent distributions. Under the Companies Law of Cayman Islands, the contributed surplus is distributed under certain specific circumstances.

Note b: The adjustment represented the change in fair value of equity portion of convertible bonds that the Group and the holder of convertible bonds entered into an agreement on 26 April 2010 to extend the maturity date of the convertible bonds with an aggregate principal amount of approximately HK\$141,450,000 for one year from 16 May 2010 to 16 May 2011 and the conversion period will accordingly be extended for one year to 2 May 2011. The fair value of convertible bonds at the date of extension was valued by BMI Appraisals Limited, an independent qualified professional valuer.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
Net cash generated from operating activities	75,965	44,494
Net cash (used in) generated from investing activities	(314)	528
Net cash generated from (used in) financing activities	271	(21)
Net increase in cash and cash equivalents	75,922	45,001
Cash and cash equivalents at beginning of the period	142,410	192,673
Effect of foreign exchange rate changes	307	188
Cash and cash equivalents at end of the period, represented by cash and bank balances	218,639	237,862

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the interim report for the six months ended 30 September 2010.

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2010 ("Interim Financial Information") is presented in Hong Kong dollar ("HK\$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK\$.

The principal activities of the Company and the subsidiaries (collectively referred as the "Group") are property investment, property development, securities investments and other investments.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Information have been prepared on the historical costs basis, except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.



2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Interim Financial Information does 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.

Except as described below, the accounting policies used in the Interim Financial Information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Financial Reporting Standards ("HKFRSs")(Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments) HKAS 27 (Revised)	Improvements to HKFRSs 2009 Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

HKFRS 3 (Revised): Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 July 2009.

The Group's adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) results in changes in the Group's accounting policies which have been applied prospectively starting 1 July 2009. The adoption affects the Group's accounting treatments for (i) transactions between the owners and the non-controlling interests of subsidiary companies and (ii) business combinations.

HKAS 27 (Revised) changes (a) the term "minority interest" to "non-controlling interest" and (b) the accounting requirements of the Group in respect of (i) change in its ownership interests in subsidiary companies, for cases which result in either a loss of control or not, and (ii) losses incurred by its subsidiary companies. For the losses incurred by loss-making subsidiary companies, the Group is required by the revised standard to account for the losses attributable to its non-controlling interests even if the results in a deficit balance for the non-controlling interests in the Group's accounts.



2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

HKFRS 3 (Revised): Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements *(Continued)*

HKFRS 3 (Revised) introduces certain changes in the accounting requirements for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future report results of the Group after the date of its adoption. These changes include, but are not limited to the new requirements of (a) for partial acquisitions, allowing non-controlling interests to be measured either at their proportionate interests in the net identifiable assets or at their fair value; (b) for step acquisitions, (i) measuring goodwill as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition plus the consideration transferred and the net assets acquired and (ii) recognizing gains or losses from remeasuring to the fair value the interest in the acquiree held by the Group immediately before the business combination; (c) recognizing acquisition-related costs as expenses, rather than including them in goodwill; and (d) recognizing the fair value of contingent considerations either in profit or loss or in other comprehensive income in accordance with the requirements of HKAS 39 “Financial Instruments: Recognition and Measurement”.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 7	Financial Instruments: Disclosure - Transfers of Financial Assets ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) - INT 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.



3. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

The Group's reportable operating segments under HKFRS 8 are as follows:

- (a) Securities trading - engaged in trading of listed and unlisted securities; and
- (b) Property investment and development - engaged in property investment and property development.

The following is an analysis of the unaudited Group's revenue and results by reportable segment for six months ended 30 September 2010 and 2009:

	Securities trading		Property investment and development		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment turnover	<u>120,074</u>	<u>32,340</u>	<u>—</u>	<u>—</u>	<u>120,074</u>	<u>32,340</u>
Segment results	<u>2,160</u>	<u>67,812</u>	<u>(1,986)</u>	<u>(1,245)</u>	<u>174</u>	<u>66,567</u>
Other operating income					355	1,332
Loss on changes in fair value of derivative financial instrument related to convertible bonds					(87,464)	(12,237)
Unallocated expenses					(4,686)	(4,403)
Finance costs					(20,970)	(17,155)
Share of results of jointly controlled entities			(917)	(422)	(917)	(422)
Gain on change in fair value of convertible bonds arising from extension of maturity date					9,707	—
Income tax expense					—	(57)
(Loss) profit for the period					<u>(103,801)</u>	<u>33,625</u>

4. (LOSS) GAIN ON CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS, NET

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
Increase in fair value of financial assets at fair value through profit and loss	3,244	42,592
Increase in fair value of derivative financial liabilities	(87,464)	(12,237)
	(84,220)	30,355

5. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax is stated after charging:

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
Depreciation on property, plant and equipment	44	69
Operating lease charges on rented premises	668	415



6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2010 and 2009 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 September 2010 and 2009.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No income tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for the six months ended 30 September 2010 and 2009.

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
Current income tax:		
– Underprovision in previous years	—	57
	<u> </u>	<u> </u>

7. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

8. (LOSS) EARNINGS PER SHARE

The calculations of basic and diluted (loss) earnings per share attributable to owners of the Company are based on the following data:

	Six months ended 30 September 2010 Unaudited HK\$'000	Six months ended 30 September 2009 Unaudited HK\$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	(103,718)	33,625
Effect of dilutive potential ordinary shares : conversion on convertible bonds	—	5,644
(Loss) earnings for the purpose of diluted (loss) earnings per share	(103,718)	39,269



8. (LOSS) EARNINGS PER SHARE *(Continued)*

	Six months ended 30 September 2010 Unaudited '000	Six months ended 30 September 2009 Unaudited '000 <i>(Restated)</i>
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	11,311,183	11,267,215
Effect of dilutive potential ordinary shares : conversion of convertible bonds	—	3,587,500
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	11,311,183	14,854,715

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share for the six months ended 30 September 2009 has been adjusted for the subdivision of each share into five shares effective on 30 August 2010.

Diluted loss per share is same as basic loss per share for the six months ended 30 September 2010. The computation of diluted loss per share does not assume the conversion/exercise of the Company's outstanding convertible bonds and options to subscribe for additional convertible bonds since their exercises would result in a decrease in loss per share for the six months ended 30 September 2010.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group incurred approximately HK\$34,000 on additions to property, plant and equipment.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Held for trading investments: Equity securities listed in Hong Kong	169,806	221,901



11. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities of the Group are not for the hedging purpose and represent:

	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Options to subscribe for convertible bonds due 2013	<u>522,388</u>	<u>434,924</u>

Options to subscribe for additional convertible bonds were granted by the Group in conjunction with the issue of the convertible bonds due 2013 in the principal amount of HK\$200,000,000 by the Group on 15 February 2008. The fair value of the options to subscribe for additional convertible bonds was valued by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation was made by using the Binomial Option Pricing Model and considering the present value of the stream of future cash flows discounted at the interest rate of 10.84% (31 March 2010: 12.78%)

The inputs into the model were as follows:

	At 30 September 2010	At 31 March 2010
Spot price	HK\$714,505,000	HK\$623,620,000
Exercise price	HK\$200,000,000	HK\$200,000,000
Risk free rate	0.354%	0.450%
Expected life	1.19 years	1.44 years
Expected volatility	105.35%	93.48%
Expected dividend yield	Nil	Nil

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 April 2009, 31 March 2010 and 1 April 2010, HK\$0.001 each	250,000,000	250,000
Subdivision of shares of HK\$0.001 each into five shares of HK\$0.0002 each (Note)	<u>1,000,000,000</u>	<u>—</u>
At 30 September 2010, HK\$0.0002 each	<u>1,250,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At 1 April 2009, 31 March 2010 and 1 April 2010, HK\$0.001 each	2,253,443	2,253
Conversion of convertible bonds	10,250	11
Subdivision of shares of HK\$0.001 each into five shares of HK\$0.0002 each (Note)	<u>9,054,771</u>	<u>—</u>
At 30 September 2010, HK\$0.0002 each	<u>11,318,464</u>	<u>2,264</u>

Note: Pursuant to an ordinary resolution passed by the Company's shareholders at annual general meeting held on 27 August 2010, every share of HK\$0.001 each in the authorised and issued share capital of the Company was subdivided into five shares of HK\$0.0002 each and the subdivision became effective on 30 August 2010.



13. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2010 Unaudited HK\$'000	31 March 2010 Audited HK\$'000
Within one year	1,123	686
2 to 5 years inclusive	1,960	—
	<hr/> 3,083 <hr/>	<hr/> 686 <hr/>

Operating lease payments represent rental payable by the Group for certain of its office premises. The leases were negotiated for a term of one to three years and with fixed rentals.

14. CAPITAL COMMITMENT

The Group has contracted with a wholly-owned subsidiary of Regal Hotels International Holdings Limited to establish jointly controlled entities in which the Group had committed to provide financing to the jointly controlled entities, amounting to HK\$250,000,000 for property development in Chengdu City, Sichuan Province, the PRC. Approximately HK\$177,074,000 had been paid as at 30 September 2010 (31 March 2010: HK\$176,631,000).

The capital commitment in respect of investment in jointly controlled entities contracted for but not provided in the consolidated financial statements are approximately HK\$72,926,000 (31 March 2010: HK\$73,369,000).

15. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the period:

	30 September 2010 Unaudited HK\$'000	30 September 2009 Unaudited HK\$'000
Related companies		
Consultancy fee expenses	—	994
Building management fee	214	214
	<u> </u>	<u> </u>

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current period and such reclassification has no impact on the Group's profit for the six months ended 30 September 2009.