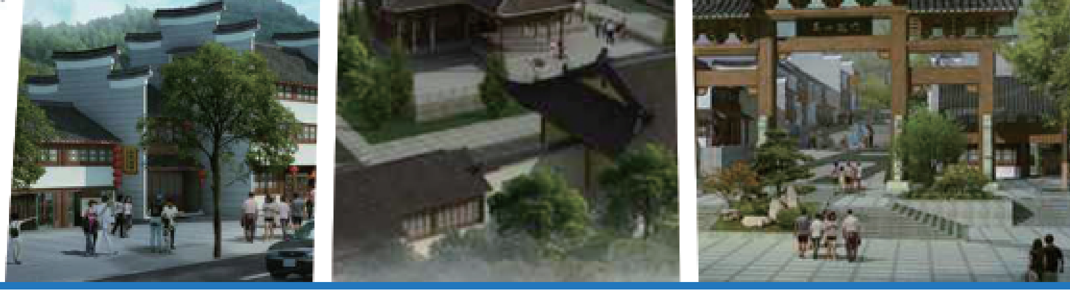

Interim Report 2011

天譽置業（控股）有限公司

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00059)

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CORPORATE INFORMATION

Directors

Executive Directors:

Yu Pan *(Chairman)*
Lau Yat Tung, Derrick *(Deputy Chairman)*
Wong Lok

Independent Non-executive Directors:

Choy Shu Kwan
Cheng Wing Keung, Raymond
Chung Lai Fong

Company Secretary

Cheung Lin Shun

Audit Committee

Choy Shu Kwan *(Chairman)*
Cheng Wing Keung, Raymond
Chung Lai Fong

Remuneration Committee

Chung Lai Fong *(Chairman)*
Choy Shu Kwan
Cheng Wing Keung, Raymond
Yu Pan

Nomination Committee

Yu Pan *(Chairman)*
Choy Shu Kwan
Lau Yat Tung, Derrick
Wong Lok

Share Listing

Main Board of The Stock Exchange
of Hong Kong Limited, Stock Code: 00059

Company's Website

http://www.sfr59.com

Head Office and Principal Place of Business in The PRC

32nd to 33rd Floors of HNA Tower,
8 Linhe Zhong Road, Tianhe District,
Guangzhou, Guangdong Province, the PRC.
Telephone: (86-20) 2208 2888
Facsimile: (86-20) 2208 2889

Principal Place of Business in Hong Kong

2502B, Tower 1, Admiralty Centre,
18 Harcourt Road, Hong Kong.
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

Registered Office

Clarendon House, 2 Church Street,
Hamilton, HM 11, Bermuda.

Principal Share Registrars and Transfer Office

HSBC Securities Services (Bermuda) Limited
6 Front Street,
Hamilton, HM 11, Bermuda.

Branch Share Registrars and Transfer Office

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

Investor Relations

Strategic Public Relations Limited
Unit A 29th Floor,
Tower 1, Admiralty Centre,
18 Harcourt Road, Hong Kong,
Attn: Ms. Iris Lee/Ms. Brenda Chan
Telephone: (852) 2111 8468
Facsimile: (852) 2527 1196

Principal Bankers

Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
China Bohai Bank Co., Limited

Auditors

BDO Limited
Certified Public Accountants

Legal Advisers

Hong Kong Laws:
Leung & Associates

Bermuda Laws:
Conyers Dill & Pearman

PRC Laws:
廣東國鼎律師事務所
(Guangdong Guoding Law Firm)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business Review

Results

During the six months ended 30 June 2011, the Group recorded a turnover of HK$19 million (2010: HK$9 million), mainly comprising rental income from the leasing of Tianyu Garden Phase II for HK$9 million and sales of properties in phase one of Guiyang Project for HK$9 million which were completed in the second half of the year 2010.

The current period was a time when the profit and loss account reflected normal operating expenses incurred by a developer except for a reversal of an over provision of land appreciation tax provided for the disposed Westin Project that was recorded as other income of HK$25 million for the period. Operating expenses, mainly staff costs, totaling HK$41 million, representing an 19% increase from the past period, had a rising trend due to the increasing activities in the property development operations.

Finance costs for the period was HK$25 million (2010: HK$144 million (as restated)) that included interest paid to banks and financial institutions on borrowings for the Group's working capital needs and development of Guiyang Project. Interests capitalised for the period was HK$4 million.

Loss for the period amounted to HK$20 million (2010: profits of HK$908 million) of which HK$14 million (2010: profits of HK$910 million) was attributable to shareholders of the Company. The tremendous difference in the bottom line for the two periods was explained by the gain of HK$1,078 million (as restated) for the last corresponding period arising from the debts waived by convertible noteholders upon the implementation of a debt restructuring program in 2010.

Investment Properties

Tianyu Garden Phase 2

The property is a 20,000 sq.m. commercial podium in Tianhe District, Guangzhou and is now 80% occupied, tenanted with renounced corporations and the US consulate.

Business Review and Outlook *(Continued)*

Business Review *(Continued)*

Properties Development

Guiyang Project

The development, which the Group holds a 55% stake, consists of high-end residential apartments of GFA of approximately 449,000 sq.m. for residential apartments and GFA of approximately 142,000 sq.m. for commercial complex, community facilities and carparking spaces. The first phase with GFA of 133,000 sq.m. was completed in 2010 of which 94% and 2% residential apartments were sold in the second half of the year 2010 and in the current period respectively.

The second phase comprises four blocks of residential building with GFA of approximately 162,000 sq.m.. Since the pre-sale of the second phase launched in September 2010, the Group has contracted sales amounting to approximately RMB405 million (approximately HK$488 million) and up to 56% in GFA available for pre-sale. The average selling price of the second phase was achieved at approximately RMB4,500 per sq.m.. The management expects the second phase will be delivered to buyers and sales recorded as revenue in 2012.

The construction of the third phase of the development, consisting of five residential buildings with common facilities and car parking spaces of GFA of 245,000 sq.m., is expected to commence in late 2011.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and two other independent third parties, namely 廣州越秀企業（集團）公司 (Guangzhou Yuexiu Enterprise Group Ltd.) and 廣州港集團有限公司 (Guangzhou Port Group Co. Ltd.), the former being the original land use right holder with no vested interest in the project and the latter an original user of the land who is entitled to share 28% in GFA of the completed properties. Under the joint venture agreement, the Group has to finance all construction costs of the entire development.

Properties that are planned to be developed on the site of 86,557 sq.m. are a total of seven towers consisting of residential apartments, offices, service apartments, car parking facilities and a commercial complex in GFA of totaling approximately 316,000 sq.m. The site, opposite to the renounced White Swan Hotel, offers a wide waterfront view of the Pearl River. Pending the issue of the necessary governmental approvals on the design plan and detailed construction plan which are now under final vetting and are expected to be obtained soon, the construction works will commence in the fourth quarter of 2011. The management expects to put the project for pre-sale in 2013.

Business Review and Outlook *(Continued)*

Business Review *(Continued)*

Properties Development (Continued)

Yongzhou Project

On 30 June 2011, the Company entered into a framework agreement to cooperate with the City Government of Yongzhou, Hunan Province about an engagement with the Company to manage the project in remodeling of some old scenic spots and construction of infrastructure in a scenic zone and a commercial district in the central city of Yongzhou. Under the framework agreement, the Company is also committed to the construction of a five-star hotel and properties for resettlement of the land occupants. In return, the Company will be given the right to develop a real estate project on some parcels of 1,000 mu land located in Lingling District in Yongzhou, subject to the undergoing of the bidding process for the transferring of the land use rights in public auctions. The project will be undertaken by a joint venture which is held as to 70% by the Group and as to 30% by a joint venture partner who is a local developer with relevant experience in remodeling of scenic zone.

The Company plans to turn the Yongzhou Project into commercial and residential developments in four phases with a planned total gross floor area of approximately 1.7 million sq.m.. The development will offer low rise apartments and low density villas for residence and commercial complex for retailing and commercial uses. The total construction cost of the entire development is estimated at approximately RMB2,500 million which will be financed by capital contribution from the joint venture partners, bank borrowings and sale proceeds to be received from properties developed and put for pre-sale in phases.

The development of the first phase of the Yongzhou Project will be commenced in the third quarter of 2011 whilst it is planned that the last phase will be completed in late 2015. Other than the hotel for operation which construction will be completed in 2016 and an estimated area of 80,000 square meters reserved for the construction of properties for resettlement, the remaining gross floor area that will be developed for sales is approximately 1.5 million sq.m. and the first phase of the development will be launched for pre-sale commencing in the year 2012.

Subsequent Events

On 1 July 2011, Yaubond Limited, a wholly subsidiary of the Company, entered into a supplemental agreement with, among others, 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited) ("HNA Hotel") pursuant to which if HNA Hotel fails to settle the outstanding second instalment of the consideration for the disposal of Tianhe Project of approximately RMB130 million within 90 days from the date of the agreement in cash, will transfer the property interests of the 32nd and 33rd floors of HNA Tower owned by HNA Hotel, which are being used by the Group as the head office in Guangzhou, to a subsidiary of the Company as full and final settlement of the outstanding consideration payable by HNA Hotel of approximately RMB130 million (approximately HK$157 million).

Business Review and Outlook *(Continued)*

Subsequent Events *(Continued)*

On 2 August 2011, Fine Luck Group Limited, a wholly owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding ("MOU") with 海航商業控股有限公司 (HNA Commercial Holdings Limited) ("HNA Commercial"). Pursuant to the MOU, HNA Commercial proposes to acquire 50% equity interest of Fortunate Start Investments Limited which indirectly holds the entire equity interest of Zhoutouzui Project at a consideration of RMB1,300 million (approximately HK$1,565 million). The parties target to enter into a formal agreement on or before 31 October 2011.

Outlook

In the midst of the continuing austerity measures taken by the mainland government that continue to pressurize property developers on the mainland in getting finance and the gloomy capital markets which are adversely affected the uncertainties over the European and the American sovereign debts crisis, the Company is, however, comparatively less affected as the Group has been in a low gearing position since the debt restructuring in 2010 and it now has low financial pressure in meeting with its commitments.

In light of the banking facilities that are made and will be made available to the Group, the Group has sufficient working capital in the coming months under review to meet with its daily operation in its projects under development, including the Zhoutouzui Project and the first phase of the development of the Yongzhou Project. In addition, the management foresees that the projects currently under development will generate sufficient proceeds from pre-sales to finance their respective ongoing stages of development. Notwithstanding the foregoing, financial resources are still the pre-requisite requirement in the Group's plan to increase its land reserves for future expansion. The management is currently in close discussions with HNA Commercial on the contemplated joint venture partnership in Zhoutouzui Project aiming to raise additional financial resources and realisation of land portfolio on hand to their market values. We are confident that, when such transaction crystallizes, the Group's strategy to further expand can be worked out.

The directors are confident that the property market, whilst currently dampened by the austerity measures imposing restrictions on buyers and bank financing available to developers, in the long run is supported by strong demand driven by the hasty urbanisation and expectation for improved living standard of the mainland population. Such demand is particularly seen in markets in the second and third tiers. Our move to those cities in Guiyang and Yongzhou is a step taken in the right time. The directors believe that the trading prospect of the property market is still positive in the longer run and the Group is prepared to reap a satisfactory return for its shareholders in the years to come.

Liquidity and Financial Resources

Capital structure and liquidity

As at 30 June 2011, the Group's indebtedness, exclusive of the money market loans of HK$526 million (31 December 2010: HK$526 million) that are secured by bank deposits, totaled HK$484 million (31 December 2010: HK$587 million) and was comprised of (i) a mortgage loan and construction loan due to commercial banks totaling HK$227 million (ii) other unsecured borrowing due to a third party of HK$36 million and (iii) advances of HK$221 million from a non-controlling shareholder of a subsidiary for the financing of the operation of the subsidiary.

The money market loans of approximately HK$526 million (US$67.7 million) referred to above was denominated in US dollar and matures in one year and secured by bank deposits denominated in Renminbi ("RMB"). The arrangement demonstrates the Company's strategy in treasury management to take advantage of the foreseeable appreciation of RMB against US dollar.

The gearing ratio of the Group as at 30 June 2011 was 6.3% (31 December 2010: 21%), based on the net debt of HK$132 million (represented by indebtedness comprising bank and other borrowings, advances from a non-controlling shareholder of a subsidiary, net of cash and bank balances and bank deposits) to the equity attributable to owners of HK$1,961 million plus the net debt of HK$132 million as at 30 June 2011. The decrease in the ratio from 21% to 6.3% was mainly due to increase in cash balance contributed by the receipt of the instalment payments of the consideration from disposal of Tianhe Project and the pre-sale proceeds of Guiyang Project during the period. For the purpose of our assessment of the gearing position of the Group, indebtedness excludes deferred income of HK$1,109 million that is the estimated net consideration for the disposal of Tianhe Project for which the gain and revenue will be recognised at the time when the associated costs relating to the performance of the obligations of the Company can be ascertained. The estimated timing of completion is in late 2013.

The current assets totaling HK$1,878 million (31 December 2010: HK$1,828 million) show a slight increase of HK$50 million. They mainly comprise (i) the current portion of the consideration receivable for the disposal of Tianhe Project of HK$150 million, (ii) bank deposits and cash balance totaling HK$1,061 million (inclusive of restricted deposits of HK$585 million to secure for guarantee extended for the money market loan facility). The current ratio is 1.39 to 1 which is relatively constant with the ratio of 1.47 to 1 as at 31 December 2010.

Liquidity and Financial Resources *(Continued)*

Borrowings and pledge of assets

To secure for banking facilities granted to operating subsidiaries for the financing of working capital and construction costs by a commercial bank in the mainland China, property interests in Tianyu Garden Phase II and interests in the works in progress and land of the Guiyang Project with an aggregate carrying value of HK$1,007 million were mortgaged in favour of the lending bank. In addition, bank deposits, being cash received from property buyers, of approximately HK$183 million as at 30 June 2011 were restricted for construction costs of properties under construction. To secure the back-to-back guarantees given by two mainland banks to a Hong Kong-based bank for the money market loan facility of US$67.7 million, bank deposits of approximately HK$585 million were placed in two bank accounts in mainland China.

Risk Management

Foreign Currency Risk

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing activities of the Group are denominated in other currencies, such as the money market loan in US dollars. Due to the steady appreciation of RMB against HK and US dollars during the period, a foreign exchange gain arises on consolidation of the assets and liabilities of the PRC subsidiaries, resulting in an exchange reserve of HK$372 million as at 30 June 2011 that is added to the equity of the Group. Since the US and HK dollars are pegged with each other whilst RMB moves in gradual and upward trend against the US and HK dollars, the Group foresees no significant possible adverse exposure in foreign currency in the foreseeable future but appreciations in the exchange rates of RMB against HK and US dollars. Such fluctuations will not have unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, any permanent or significant changes in the exchange rates in RMB for HK and US dollars and in the peg system of US dollars with HK dollars may have possible impact on the Group's results and financial position.

Interest Rate Risk

The Group's exposure to interest rate risk primarily relates to the Group's restricted and pledged deposits, cash at bank included in cash and cash equivalents and bank and other borrowings with interests charged at floating rates. During the period ended 30 June 2011, given management's expectation of the increasing trend of interest rates, the Group by entering into an interest rate swap contract with a bank, fixed the base interest rate of the bank borrowings of US$67.7 million (approximately HK$526 million) at 0.75% per annum in order to hedge against the Group's future exposure to interest rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Contingent Liabilities

A subsidiary of the Group provides guarantees to the extent of approximately HK$383 million as at 30 June 2011 in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the subsidiary is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the subsidiary is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Employees

To keep pace with the growth of the Group, the Group recruits more suitable staff in capable caliber to carry out the increasing tasks resulting from the expansion. As at 30 June 2011, other than the Executive Directors, the Group employed 166 staff (31 December 2010: 142 staff) for property development and central management. Employees are remunerated according to qualifications and experience, job nature and performance. Remuneration packages are aligned with job markets in the business territories.

The board of Directors (the "Board") of Skyfame Realty (Holdings) Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011, together with comparative figures for the corresponding period of 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited and restated)
Revenue	2	**18,914**	8,645
Cost of sales and services		**(7,976)**	(1,458)
Gross profit		**10,938**	7,187
Other income	4	**27,013**	8,653
Sales and marketing expenses		**(7,361)**	(2,865)
Administrative expenses		**(33,487)**	(31,591)
Gain on debt extinguishment		**–**	1,077,764
Share of loss of associate, net of tax		**–**	(8,537)
Gain on disposal of a subsidiary, net of tax	17	**10**	–
Finance costs	3	**(24,598)**	(143,725)
Finance income		**7,873**	1,372
(Loss) profit before income tax	4	**(19,612)**	908,258
Income tax expense	5	**(90)**	–
(LOSS) PROFIT FOR THE PERIOD		**(19,702)**	908,258
Other comprehensive income:			
Exchange differences arising on foreign operations		**57,422**	23,138
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**37,720**	931,396
(Loss) profit for the period attributable to:			
– Owners of the Company		**(13,800)**	910,369
– Non-controlling interests		**(5,902)**	(2,111)
		(19,702)	908,258
Total comprehensive income for the period attributable to:			
– Owners of the Company		**42,818**	933,303
– Non-controlling interests		**(5,098)**	(1,907)
		37,720	931,396
(Loss) earnings per share	7		
– Basic		**(HK0.93 cents)**	HK61.61 cents
– Diluted		**(HK0.93 cents)**	HK61.61 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**2,479**	2,840
Investment properties	8	**577,895**	568,182
Properties held for development		**2,407,286**	2,262,817
Goodwill		**16,491**	16,214
Consideration receivable for disposal of a subsidiary – non-current portion	9	**91,023**	84,718
		3,095,174	2,934,771
Current assets			
Properties held for sale		**129,645**	133,121
Properties under development		**451,616**	362,388
Consideration receivable for disposal of subsidiaries – current portion	9	**150,418**	653,673
Trade and other receivables	10	**85,886**	19,303
Restricted and pledged deposits	11	**767,830**	630,213
Cash and cash equivalents		**292,918**	28,820
		1,878,313	1,827,518
Current liabilities			
Trade and other payables	12	**526,242**	258,458
Bank and other borrowings – current portion	13	**704,239**	804,689
Loan from non-controlling shareholder of a subsidiary – current portion	14	**21,671**	47,998
Income tax payable		**98,069**	130,937
		1,350,221	1,242,082
Net current assets		**528,092**	585,436
Total assets less current liabilities		**3,623,266**	3,520,207

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
As at 30 June 2011

	Notes	**30 June 2011 HK$'000 (Unaudited)**	31 December 2010 HK$'000 (Audited)
Non-current liabilities			
Bank and other borrowings – non-current portion	*13*	**84,276**	87,003
Loan from non-controlling shareholder of a subsidiary – non-current portion	*14*	**199,554**	173,225
Deferred income	*15*	**1,109,328**	1,106,861
Deferred tax liabilities		**200,817**	197,441
		1,593,975	1,564,530
Net assets		**2,029,291**	1,955,677
Capital and reserves			
Share capital	*16*	**14,777**	14,777
Reserves		**1,946,542**	1,903,724
Equity attributable to owners of the Company		**1,961,319**	1,918,501
Non-controlling interests		**67,972**	37,176
Total equity		**2,029,291**	1,955,677

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Merger reserve HK$'000	Statutory reserves HK$'000	Foreign exchange reserve HK$'000	Capital reserve HK$'000	Retained profits (Accumulated losses) HK$'000	Sub-total HK$'000	Non-Controlling interests HK$'000	Total HK$'000
Six months ended 30 June 2011 (Unaudited)													
At 1 January 2011 (Audited)	**14,777**	**1,224,954**	**15,497**	**12,887**	**31,479**	**(301,662)**	**6,108**	**315,099**	**8,702**	**590,660**	**1,918,501**	**37,176**	**1,955,677**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,800)**	**(13,800)**	**(5,902)**	**(19,702)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**56,618**	**–**	**–**	**56,618**	**804**	**57,422**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**56,618**	**–**	**(13,800)**	**42,818**	**(5,098)**	**37,720**
Contribution from non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,894**	**35,894**
At 30 June 2011 (Unaudited)	**14,777**	**1,224,954**	**15,497**	**12,887**	**31,479**	**(301,662)**	**6,108**	**371,717**	**8,702**	**576,860**	**1,961,319**	**67,972**	**2,029,291**
Six months ended 30 June 2010 (Unaudited)													
At 1 January 2010 (Audited)	14,777	1,224,954	15,497	12,929	31,479	(301,662)	6,108	223,473	–	(396,904)	830,651	17,808	848,459
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	910,369	910,369	(2,111)	908,258
Other comprehensive income	–	–	–	–	–	–	–	22,934	–	–	22,934	204	23,138
Total comprehensive income for the period	–	–	–	–	–	–	–	22,934	–	910,369	933,303	(1,907)	931,396
At 30 June 2010 (Unaudited)	14,777	1,224,954	15,497	12,929	31,479	(301,662)	6,108	246,407	–	513,465	1,763,954	15,901	1,779,855

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Operating activities			
Cash generated from operations		**188,341**	77,798
Income tax paid		**(9,983)**	(83,863)
Other borrowing costs paid		**(1,241)**	–
Interest paid		**(30,494)**	(7,830)
Net cash from (used in) operating activities		**146,623**	(13,895)
Investing activities			
Disposal of a subsidiary, net of cash disposed of	*17*	**10**	–
Consideration received for disposal of subsidiaries in prior year		**507,551**	1,162,920
Capital contributions to an associate		**–**	(125,598)
Additions to properties held for/under development		**(185,207)**	(109,122)
Purchase of property, plant and equipment		**(348)**	(103)
Other investing activities		**1,938**	1,372
Net cash from investing activities		**323,944**	929,469
Financing activities			
Increase in restricted and pledged deposits		**(125,663)**	(9,657)
Additional bank and other borrowings		**60,830**	34,499
Repayment of bank and other borrowings		**(168,862)**	(4,003)
Settlement of convertible notes		**–**	(777,200)
Increase in amount due to director		**–**	2,000
Decrease in amount due to director		**–**	(2,000)
Repayment of loan from non-controlling shareholder of a subsidiary		**(9,059)**	(2,169)
Capital contributions from non-controlling shareholder of a subsidiary		**35,894**	–
Net cash used in financing activities		**(206,860)**	(758,530)
Net increase in cash and cash equivalents		**263,707**	157,044
Effect of foreign exchange rate changes		**391**	(6,568)
Cash and cash equivalents at beginning of period		**28,820**	114,719
Cash and cash equivalents at end of period – Cash and bank balances		**292,918**	265,195

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2011 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

2. REVENUE AND SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into three operating divisions – property development, property investment and hotel operation and related ancillary services ("hotel operation"). As management of the Group considers that all consolidated revenue are attributable to the markets in the PRC and consolidated non-current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

Property development	–	Property development and sale of properties
Property investment	–	Property leasing
Hotel operation	–	Hotel operation and provision of related ancillary services

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments, the expenses directly incurred by those segments and the depreciation charges of assets attributable to those segments. Corporate income and expenses, finance costs and income, results of associate and any non-operating items which cannot be directly associated with the reportable segments are not allocated to the respective segments.

The measure used for reporting segment results is operating (loss) profit before interest (finance costs and income), income tax and depreciation ("adjusted EBITDA"). In addition to information concerning adjusted EBITDA, management also provides other segment information concerning depreciation and share of loss of associate.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings and taxes. Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance in the Interim Financial Statements is set out below:

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Total HK$'000
Six months ended 30 June 2011 (Unaudited)				
External and consolidated revenue				
Sale of properties	**8,995**	**–**	**–**	**8,995**
Rental income	**641**	**9,278**	**–**	**9,919**
Reportable segment revenue	**9,636**	**9,278**	**–**	**18,914**
Operating results	**2,708**	**2,217**	**–**	**4,925**
Add: Depreciation	**113**	**217**	**–**	**330**
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**2,821**	**2,434**	**–**	**5,255**
Bad debts recovered	**–**	**32**	**–**	**32**
Capital expenditure incurred during the period	**185,312**	**–**	**–**	**185,312**
As at 30 June 2011 (Unaudited)				
Assets				
Reportable segment assets	**3,328,862**	**581,257**	**–**	**3,910,119**
Liabilities				
Reportable segment liabilities	**1,833,811**	**19,203**	**–**	**1,853,014**
Six months ended 30 June 2010 (Unaudited)				
Rental income, Reportable segment revenue – external and consolidated revenue	158	8,487	–	8,645
Operating results	(10,077)	5,911	218	(3,948)
Add: Depreciation	118	1	–	119
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	(9,959)	5,912	218	(3,829)
Share of loss of associate, net of tax	(8,537)	–	–	(8,537)
Bad debts recovered	–	41	–	41
Capital expenditure incurred during the period	109,221	–	–	109,221
As at 31 December 2010 (Audited)				
Assets				
Reportable segment assets	3,501,726	571,077	29,495	4,102,298
Liabilities				
Reportable segment liabilities	1,512,375	14,482	46,583	1,573,440

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment results, and assets and liabilities

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Results		
Reportable segment results before interest, income tax, depreciation and amortisation (adjusted EBITDA)	**5,255**	(3,829)
Unallocated corporate expenses before depreciation and amortisation	**(7,815)**	(14,489)
	(2,560)	(18,318)
Depreciation and amortisation		
– Reportable segment	**(330)**	(119)
– Unallocated	**(7)**	(179)
	(2,897)	(18,616)
Gain on debt extinguishment	**–**	1,077,764
Gain on disposal of a subsidiary, net of tax	**10**	–
Share of loss of associate, net of tax	**–**	(8,537)
Finance costs	**(24,598)**	(143,725)
Finance income	**7,873**	1,372
Consolidated (loss) profit before income tax	**(19,612)**	908,258
Capital expenditure incurred during the period		
– Reportable segment	**185,312**	109,221
– Unallocated	**243**	–
	185,555	109,221

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment results, and assets and liabilities

	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
Assets		
Reportable segment assets	**3,910,119**	4,102,298
Restricted and pledged deposits	**767,830**	630,213
Cash and cash equivalents	**292,918**	28,820
Unallocated corporate assets	**2,620**	958
Consolidated total assets	**4,973,487**	4,762,289
Liabilities		
Reportable segment liabilities	**1,853,014**	1,573,440
Income tax payable	**98,069**	130,937
Deferred tax liabilities	**200,817**	197,441
Unallocated bank and other borrowings	**788,516**	891,692
Unallocated corporate liabilities	**3,780**	13,102
Consolidated total liabilities	**2,944,196**	2,806,612

3. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Interest on convertible notes wholly repayable within five years	**–**	119,281
Interest on bank and other borrowings		
– wholly repayable within five years	**19,256**	25,791
– wholly repayable after five years	**2,546**	2,660
Imputed interest on loan from non-controlling shareholder of a subsidiary	**5,314**	–
Interest on short-term loan from a director	**–**	29
	27,116	147,761
Less: Amount capitalised as properties held for/under development		
Interest on bank and other borrowings wholly repayable within five years	**(3,759)**	(4,036)
	23,357	143,725
Other borrowing costs	**1,241**	–
Finance costs charged to profit or loss	**24,598**	143,725

4. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Cost of properties sold	**5,698**	–
Staff costs (including Directors' emoluments) comprise:		
– Basic salaries and other benefits	**16,812**	12,017
– Contributions to defined contribution pension plans	**818**	784
Total staff costs (including Directors' emoluments)	**17,630**	12,801
Less: Amount capitalised as properties held for/under development	**(6,240)**	(4,172)
Less: Amount classified as share of loss of associate	**–**	(2,926)
	11,390	5,703
Auditors' remuneration – current period	**410**	407
Depreciation of property, plant and equipment	**372**	324
Less: Amount capitalised as properties held for/under development	**(35)**	(26)
Total depreciation charged to profit or loss	**337**	298
Gain on disposal of property, plant and equipment	**(12)**	–
Reversal of over-provision of land appreciation tax relating to a disposal of a subsidiary in prior year (included as other income)	**(24,887)**	–
Exchange gain, net	**(1,960)**	(2,397)
Bad debts recovered	**(32)**	(41)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
Overseas corporate tax	**–**	–
PRC land appreciation tax		
– current period	**90**	–
Total income tax expense	**90**	–

5. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits for the six months ended 30 June 2011.

Enterprise income tax arising from other regions of The People's Republic of China is calculated at 25% (six months ended 30 June 2010: 25%) on the estimated assessable profits. No tax provision for the PRC enterprise income has been made for the period as a result of the taxable loss brought forward. Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits in the relevant jurisdiction during the period.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

6. DIVIDENDS

The Directors do not recommend the payment of interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

7. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	**(13,800)**	910,369

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**1,477,687**	1,477,687

For the six months ended 30 June 2011 and 2010, basic earnings (loss) per share are same as diluted (loss) earnings per share as any effect from the Company's share options is anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The movements of the property, plant and equipment and investment properties are as follows:

	Property, plant and equipment HK$'000	Investment properties HK$'000
Net book value at 1 January 2011 *(Audited)*	**2,840**	**568,182**
Additions	**348**	**–**
Disposals	**(382)**	**–**
Depreciation	**(372)**	**–**
Exchange differences	**45**	**9,713**
Net book value at 30 June 2011 *(Unaudited)*	**2,479**	**577,895**

9. CONSIDERATION RECEIVABLE FOR DISPOSAL OF SUBSIDIARIES

	Notes	**30 June 2011 HK$'000 (Unaudited)**	31 December 2010 HK$'000 (Audited)
Westin Project	*(a)*	**–**	52,047
Tianhe Project	*(b)*	**241,441**	686,344
		241,441	738,391
Amounts due within one year included in current assets		**(150,418)**	(653,673)
Amount due after one year – Tinahe Project		**91,023**	84,718

Notes:

(a) The balance relates to the remaining interest-free balance of the final instalment receivable for the disposal of the Westin Project that was fully received in the current period.

(b) The balance relates to the outstanding instalments receivable for the disposal of 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) ("Huan Cheng") (Tianhe Project) that is unsecured and interest-free. The principal amount of the receivable is approximately HK$255,157,000 (approximately RMB211,933,000) (31 December 2010: HK$702,526,000 (approximately RMB593,494,000)) and is carried on the statement of financial position at amortised cost of approximately HK$241,441,000 (31 December 2010: HK$686,344,000) as at 30 June 2011. A sum of approximately HK$455,106,000 (approximately RMB381,561,000) had been received during the current period but an outstanding amount of approximately HK$156,919,000 (approximately RMB130,337,000) is due in April 2011 but remains unsettled. Based on the supplemental agreement entered into on 1 July 2011 (as detailed in note 23) with 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited) ("HNA Hotel"), the purchaser of the interest in Huan Cheng, and the Directors' assessment on the timing of fulfillment of the Group's obligations set out in the agreement, the remaining balance of the second instalment amounting to approximately HK$156,919,000 (approximately RMB130,337,000) after deduction of relocation cost of fire station of approximately HK$6,501,000 will be receivable within one year whilst the final instalment of approximately HK$91,023,000 is receivable in 2013.

10. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The following includes an ageing analysis of trade receivables at the end of the reporting period:

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Current (not yet due)	**44**	76
Less than 1 month	**218**	–
1 to 3 months	**121**	–
More than 3 months but less than 12 months	**55**	–
Amount past due at balance sheet date but not impaired	**394**	–
Total trade receivables	**438**	76
Surety deposit paid in respect of co-operative agreement on a new project	**36,118**	–
Refundable earnest money in development project	**2,408**	–
Prepaid construction costs	**7,349**	7,315
Business taxes and surcharges paid for pre-sold properties	**23,184**	3,775
Deposits, prepayments and other receivables	**16,389**	8,137
	85,886	19,303

The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

11. RESTRICTED AND PLEDGED DEPOSITS

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
To secure for:			
– letters of credit issued by banks which guarantee repayment of money market loans	*(a)*	**584,668**	568,182
– the payment of construction cost of a development project	*(b)*	**183,162**	62,031
		767,830	630,213

Notes:

(a) As at 31 December 2010, to secure back-to-back letter of credit issued by local banks in the PRC to a Hong Kong-based bank to guarantee repayment of the latter's money market loan facility of US$67,700,000 (approximately HK$525,995,000) to the Group (as disclosed in note 13), two bank deposits totaling RMB485,625,000 (approximately HK$584,668,000) were placed in the local banks in the PRC.

(b) The balance represents deposits received from buyers of pre-sold properties. These deposits shall be released only to pay construction costs of the development project in Guiyang.

12. TRADE AND OTHER PAYABLES

The following includes an ageing analysis of trade payables at the end of the reporting period:

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Current or less than 1 month	**476**	350
1 to 3 months	**13**	–
More than 3 months but less than 12 months	**455**	–
More than 12 months	**3,653**	3,722
Total trade payables	**4,597**	4,072
Construction costs payable	**68,440**	79,739
Advanced payments received		
– Pre-sale deposits received from buyers	**403,597**	70,055
– Receipts of rental and other deposits from buyers, customers and/or tenants in advance	**16,605**	12,235
Accrued transaction costs in relation to disposal of subsidiaries	**1,793**	46,744
Interest payable on bank and other borrowings	**2,552**	10,751
Other accrued expenses and other payables	**28,658**	34,862
	526,242	258,458

13. BANK AND OTHER BORROWINGS

	Notes	**30 June 2011 HK$'000 (Unaudited)**	31 December 2010 HK$'000 (Audited)
Interest-bearing, secured			
– bank borrowings			
(i) term loan and construction loan	*(a)*	**226,402**	244,082
(ii) money market loans	*(b)*	**525,995**	526,076
– other borrowing	*(c)*	**–**	38,674
Interest-bearing, unsecured			
– other borrowings	*(d)*	**36,118**	82,860
		788,515	891,692
Amounts due within one year included in current liabilities		**(704,239)**	(804,689)
Amounts due after one year		**84,276**	87,003

Notes:

(a) As at 30 June 2011, the bank borrowings are secured by mortgages of ownership titles of: (i) properties held for/under development; (ii) properties held for sale and (iii) investment properties with an aggregate carrying value of approximately HK$1,006,789,000 (31 December 2010: HK$1,156,739,000). The bank loans carry interest at variable market rates of 6.12% and 6.40% per annum (31 December 2010: 5.76% and 5.85% per annum) as at 30 June 2011. The amount of HK$133,698,000 will be repayable in full in 2012 and the balance of HK$92,704,000 will be repaid by quarterly instalment until 2019.

(b) Deposits of RMB485,625,000 (approximately HK$584,668,000) were deposited with two banks in the PRC which were used to secure three money market loans aggregated at US$67,700,000 (approximately HK$525,995,000) extended by a bank in Hong Kong. The money market loans carry fixed base interest rate of 0.75% per annum plus a spread at 2.3% per annum as at 30 June 2011 in respect of loans totaling US$39,200,000 and 2.8% per annum as at 30 June 2011 in respect of loan of US28,500,000 (31 December 2010: 3 months USD LIBOR plus a spread at 1.8% per annum) and are repayable in October 2011.

(c) The amount represents the balance of consideration payable for an acquisition of a subsidiary in 2006. The repayment of the debt carried interest at the rate of 20% per annum (31 December 2010: 20% per annum) and was fully repaid in March 2011.

(d) The balance represents unsecured loans advanced from a third party bearing interest at the rate of 20% per annum (31 December 2010: 20% per annum) and is repayable in May 2012.

14. LOAN FROM NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The balance was unsecured, interest-free and had no fixed terms of repayment but was further agreed not to be repayable within eighteen months from the end of the reporting period. The management expects to repay the amount of approximately HK$21,671,000 (31 December 2010: HK$47,998,000) within one year.

15. DEFERRED INCOME

In July 2010, a framework agreement ("Agreement") for the disposal of the entire equity interest in Huan Cheng, the project company for the development of the Tianhe Project, was entered into between the Company, Yaubond Limited ("Yaubond") and a third party, HNA Hotel for a gross consideration ("Consideration") of RMB1,090,000,000 (approximately HK$1,270,100,000), before certain adjustments.

At the date of completion of the disposal on 20 September 2010, the adjusted Consideration (having been increased by approximately HK$44,597,000 representing adjustment for net assets transferred to HNA Hotel and reduced by future development costs and finance costs to be borne by the Group, which are estimated to be approximately HK$23,304,000 and HK$40,783,000 respectively) is estimated to be approximately HK$1,250,610,000. Netting against the adjusted Consideration by the estimated direct expenses incurred for the disposal of approximately HK$127,566,000 and discounted by approximately HK$13,716,000 (31 December 2010: HK$16,183,000) to the present value as at the end of reporting period, the net income derived from the disposal is estimated at approximately HK$1,109,328,000 (31 December 2010: HK$1,106,861,000).

The balance of consideration receivable as at 30 June 2011 of approximately RMB211,933,000 (31 December 2010: RMB593,494,000) is detailed in note 9(b).

The Directors consider that the Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 "Revenue" apply. At the end of reporting period, the Directors are uncertain about the due performance of certain obligations under the Agreement in particular, the costs to be incurred in respect of the transaction under the prevailing agreement caused by overruns in construction costs not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project beyond 32 months from the date of the first instalment payment. Accordingly, the Directors are of the view that the revenue recognition criteria set out in HKAS 18 have not been fully satisfied and therefore the disposal transaction is not recognised until when substantial part of the associated costs can be ascertained reliably. The revenue and associated costs of the disposal are deferred until the construction is completed to a substantial progress where associated costs can be reliably measured. Therefore, the sale consideration net of estimated expenses is recorded as deferred income at the date of completion of the disposal. The underlying assets and liabilities of the Tianhe Project are not derecognised, but instead aggregated and classified under properties held for development in the consolidated statement of financial position.

16. SHARE CAPITAL

	Number of shares			Nominal value		
	Ordinary share of HK$0.01 each '000	Convertible preference share of HK$0.01 each '000	Total '000	Ordinary share capital HK$'000	Convertible preference share capital HK$'000	Total HK$'000
Authorised:						
At 31 December 2010 *(Audited)*, at 1 January 2011 and 30 June 2011 *(Unaudited)*	29,000,000	1,000,000	30,000,000	290,000	10,000	300,000
Issued and fully paid:						
At 31 December 2010 *(Audited)*, at 1 January 2011 and 30 June 2011 *(Unaudited)*	1,477,687	–	1,477,687	14,777	–	14,777

17. DISPOSAL OF A SUBSIDIARY

Disposal of 100% interest in a dormant company

	Six months ended 30 June	
	2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Net assets disposed of	**–**	–
Gain on disposal of a subsidiary, net of tax	**10**	–
Total consideration, satisfied by cash, and net cash inflow arising from disposal	**10**	–

18. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2011 and 30 June 2010, no share options were granted under a share option scheme adopted on 4 August 2005 (the "2005 Scheme"). No share options previously granted under the 2005 Scheme were exercised or lapsed during the six months ended 30 June 2011. No share options previously granted under the 2005 Scheme were exercised and 150,000 share options were lapsed during the six months ended 30 June 2010.

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of members of key management, including Directors' emoluments, incurred during the period is as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**4,410**	3,846
Other long-term benefits	**126**	107
	4,536	3,953

Members of key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and executive officers.

20. CAPITAL COMMITMENTS

	30 June	31 December
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Capital expenditure contracted but not provided for in the Interim Financial Statements in respect of		
– Property construction and development costs	**238,958**	1,226,345
Capital expenditure authorised but not contracted for in the Interim Financial Statements in respect of		
– Property construction and development costs	**2,741,199**	–
– Acquisition of land use right	**1,252,107**	–
	3,993,306	–

21. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of approximately HK$383,164,000 as at 30 June 2011 (31 December 2010: HK$218,356,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

22. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified in conformity with the current period's presentation.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Significant events happened after the end of the reporting period are as follows:

On 1 July 2011, Yaubond, a wholly subsidiary of the Company, entered into a supplemental agreement with, among others, HNA Hotel pursuant to which if HNA Hotel fails to settle the outstanding second instalment of the consideration for the disposal of Tianhe Project of approximately RMB130 million within 90 days from the date of the agreement in cash, will transfer the property interests of the 32nd and 33rd floors of HNA Tower owned by HNA Hotel, which are being used by the Group as the head office in Guangzhou, to a subsidiary of the Company as full and final settlement of the outstanding consideration payable by HNA Hotel of approximately RMB130 million (approximately HK157 million).

On 2 August 2011, Fine Luck Group Limited, a wholly owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding ("MOU") with 海航商業控股有限公司 (HNA Commercial Holdings Limited) ("HNA Commercial"). Pursuant to the MOU, HNA Commercial proposes to acquire 50% equity interest of Fortunate Start Investments Limited which indirectly holds the entire equity interest of Zhoutouzui Project at a consideration of RMB1,300 million (approximately HK$1,565 million). The parties target to enter into a formal agreement on or before 31 October 2011.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

Directors' and Chief Executives' Interests in Shares and Underlying Shares

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in the share of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"¨)) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange"), were as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares (long position)	Approximate shareholding percentage
Mr. Yu Pan	Company	Interest of controlled corporation and/or beneficial owner	1,058,112,271 *(note 1)*	71.61% *(note 2)*

Notes:

1. These Shares comprised (i) 94,336,000 existing Shares; and (ii) 963,776,271 existing Shares held directly by Grand Cosmos Holdings Limited ("Grand Cosmos"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("Sharp Bright"), the entire issued share capital of which was held by Mr. Yu Pan.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 30 June 2011.

Directors' and Chief Executives' Interests in Shares and Underlying Shares *(Continued)*

(b) Interests in underlying Shares arising from share options

As at 30 June 2011, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the 2005 Scheme:

Name of Director	Exercise price (HK$)	Exercise period	Number of underlying Shares	Approximate shareholding percentage *(Note)*
Mr. Lau Yat Tung, Derrick	1.31	13 March 2007 to 31 July 2015	3,000,000	0.20%
Mr. Choy Shu Kwan	1.31	13 March 2007 to 31 July 2015	600,000	0.04%
Mr. Cheng Wing Keung, Raymond	1.31	13 March 2007 to 31 July 2015	600,000	0.04%
Ms. Chung Lai Fong	1.31	13 March 2007 to 31 July 2015	600,000	0.04%

Note:

For the purpose of this section, the shareholding percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange.

OTHER INFORMATION *(Continued)*

Substantial Shareholders

At 30 June 2011, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of shareholder	Capacity	Number of Shares and underlying Shares	Approximate shareholding percentage *(note 2)*
Sharp Bright International Limited	Interest of controlled corporation	963,776,271 (long) *(note 1)*	65.22%
Grand Cosmos Holdings Limited	Beneficial owner	963,776,271 (long) *(note 1)*	65.22%

Notes:

1 963,776,271 existing Shares were held directly by Grand Cosmos. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. Yu Pan, Mr. Yu Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO.

2. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 1,477,687,450 Shares in issue as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, the Company had not been notified by any persons or corporations who had any long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

Share Options Scheme

The Company has adopted the 2005 Scheme for the purposes of providing incentive and rewards to eligible participants (including Directors, employees and non-employees) who contribute to the success of the Group's operations.

The following table discloses details of the Company's share options under the 2005 Scheme held by employees (including Directors) and non-employees, and movement in such holdings during the six months ended 30 June 2011.

Date of grant	Exercise period	Vesting period	Exercise price (HK$)	Number of options outstanding at 31 December 2010 and 30 June 2011
12 September 2006	13 March 2007 to 31 July 2015	Six months form the date of grant	1.31	15,290,000
12 September 2006	13 March 2008 to 31 July 2015	One and a half years from the date of grant	1.31	15,290,000
12 September 2006	13 March 2009 to 31 July 2015	Two and a half years from date of grant	1.31	15,320,000
				45,900,000

Analysis of category:

Directors	4,800,000
Other employees	36,100,000
Non-employees	5,000,000
	45,900,000

During the period, no share options were granted, exercised or lapsed under the 2005 Scheme. There were 45,900,000 share options outstanding as at 30 June 2011.

Corporate Governance

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the Interim Financial Statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual.

Due to the small size of the team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. Yu Pan. The Board considers the currently simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the management team to ensure a proper balance of power and authority within the Company.

Model Code for Securities Transaction by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2011.

Audit Committee

The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The Interim Financial Statements have been reviewed by the Audit Committee.

By order of the Board
Yu Pan
Chairman

Hong Kong, 5 August 2011