



莊勝百貨集團有限公司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 758)

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INTERIM REPORT 2011

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The board of directors (the "Board") of Junefield Department Store Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 as below:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended	
		30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) (Restated) HK\$'000
REVENUE	5	125,204	78,885
Cost of sales and services		(75,894)	(46,314)
Gross profit		49,310	32,571
Other income	5	2,943	937
Selling and distribution expenses		(854)	(723)
Administrative expenses		(17,671)	(17,400)
Other operating expenses		(10,881)	(5,845)
Fair value gains on investment properties		3,327	4,386
Fair value losses, net:			
Equity investments at fair value through profit or loss – held for trading		(666)	(2,603)
OPERATING PROFIT	6	25,508	11,323
Finance costs	7	(5,345)	(2,840)
Gain on disposal of subsidiaries		–	165
Share of profit of a jointly-controlled entity		70,796	53,291
PROFIT BEFORE TAX		90,959	61,939
Income tax expense	8	(11,178)	(7,995)
PROFIT FOR THE PERIOD		79,781	53,944

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT *(continued)*

For the six months ended 30 June 2011

		Six months ended	
	<i>Note</i>	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) (Restated) HK\$'000
Attributable to:			
Owners of the Company		74,116	48,954
Non-controlling interests		5,665	4,990
		<u>79,781</u>	<u>53,944</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	 9		
Basic		<u>HK 7.37 cents</u>	<u>HK 4.90 cents</u>
Diluted		<u>HK 7.10 cents</u>	<u>HK 4.82 cents</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	79,781	53,944
OTHER COMPREHENSIVE INCOME:		
– Exchange differences on translation of foreign operations	12,605	1,026
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	12,605	1,026
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	92,386	54,970
Attributable to:		
Owners of the Company	82,459	48,962
Non-controlling interests	9,927	6,008
	92,386	54,970

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

<i>Note</i>	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS		
	235,860	236,494
	34,494	30,645
	24,518	23,977
	150,501	151,220
	154,350	83,554
	–	–
	599,723	525,890
CURRENT ASSETS		
	5,768	4,080
	–	20,898
11	20,010	5,930
	8,802	11,883
	3,691	6,726
	2,673	2,445
	1,566	9,238
	20,032	20,698
	54,849	76,157
	80,138	48,669
	197,529	206,724
CURRENT LIABILITIES		
12	5,067	9,314
	73,739	82,722
	117	31
	3,843	2,997
	4,003	2,827
13	36,144	34,952
	122,913	132,843
	74,616	73,881

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2011

	<i>Note</i>	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		674,339	599,771
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	45,181	58,139
Deferred tax liabilities		61,291	52,756
Total non-current liabilities		106,472	110,895
Net assets		567,867	488,876
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	101,017	100,247
Reserves		344,387	276,093
Non-controlling interests		445,404	376,340
		122,463	112,536
Total equity		567,867	488,876

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Share option reserve	Exchange fluctuation reserve	Retained profits	Total		
	HK\$'000 (note 14)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	100,247	67,480	19,170	5,834	7,266	3,996	172,347	376,340	112,536	488,876
Comprehensive income										
Profit or loss	-	-	-	-	-	-	74,116	74,116	5,665	79,781
Other comprehensive income										
Exchange difference on translation of foreign operations	-	-	-	-	-	8,343	-	8,343	4,262	12,605
Total comprehensive income for the period						8,343	74,116	82,459	9,927	92,386
Issue of shares upon exercise of share options	770	1,958	-	-	(970)	-	-	1,758	-	1,758
Final 2010 dividend paid	-	-	-	-	-	-	(15,153)	(15,153)	-	(15,153)
At 30 June 2011 (unaudited)	<u>101,017</u>	<u>69,438</u>	<u>19,170</u>	<u>5,834</u>	<u>6,296</u>	<u>12,339</u>	<u>231,310</u>	<u>445,404</u>	<u>122,463</u>	<u>567,867</u>
At 1 January 2010 (audited)	99,957	66,740	19,170	1,916	7,631	588	96,356	292,358	95,613	387,971
Comprehensive income										
Profit or loss	-	-	-	-	-	-	48,954	48,954	4,990	53,944
Other comprehensive income										
Exchange difference on translation of foreign operations	-	-	-	-	-	8	-	8	1,018	1,026
Total comprehensive income for the period						8	48,954	48,962	6,008	54,970
Issue of shares upon exercise of share options	20	51	-	-	(25)	-	-	46	-	46
Disposal of subsidiaries	-	-	-	-	-	1,017	-	1,017	-	1,017
Final 2009 dividend paid	-	-	-	-	-	-	(14,996)	(14,996)	-	(14,996)
At 30 June 2010 (unaudited)	<u>99,977</u>	<u>66,791</u>	<u>19,170</u>	<u>1,916</u>	<u>7,606</u>	<u>1,613</u>	<u>130,314</u>	<u>327,387</u>	<u>101,621</u>	<u>429,008</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	41,043	42,404
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	21,617	(3,732)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(33,254)	(32,545)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,406	6,127
Effect of foreign exchange rate changes, net	2,063	(217)
Cash and cash equivalents at beginning of the period	48,669	82,736
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	80,138	88,646
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	80,138	88,646

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Junefield Department Store Group Limited (the "Company") is incorporated in Bermuda with limited liability 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 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 13th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property investment, provision of property management and agency services, manufacture and sale of construction materials and trading of coal.

In the opinion of the directors, the immediate holding company of the Company is Prime Century Investments Limited, a company incorporated in British Virgin Islands, and the ultimate holding company of the Company is Junefield (Holdings) Limited, a company incorporated in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements 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 Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010, except as described below:

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2011. The Group has adopted the following HKFRSs, HKASs and Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC)-Int") issued up to 30 June 2011 which are pertinent to its operations and relevant to these interim financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
Amendments to HK(IFRIC) – Int 14	<i>Prepayments of a Minimum Funding Requirements</i>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for the reporting period.

The adoption of the new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs and HKASs, that have been issued but are not yet effective, in these interim financial statements:

HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 9	<i>Financial Instruments</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes: Deferred Tax: Recovery of Underlying Assets</i> ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

4. OPERATING SEGMENT INFORMATION

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

- (a) the property investment segment engages in property leasing and sale of properties;
- (b) the property management and agency services segment provides property management and agency services;
- (c) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder;
- (d) the trading of coal segment engages in the trading of coal; and
- (e) the other segment comprises, principally, the Group's leasing of machinery business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, unallocated finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

4. OPERATING SEGMENT INFORMATION (continued)**Business segments**

The following tables present revenue and results for the Group's business segments for the six months ended 30 June 2011 and 2010.

For the six months ended 30 June 2011

	Property investment (Unaudited) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Trading of coal (Unaudited) HK\$'000	Manufacture and sale of construction materials (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:						
Sales to/revenue from external customers	<u>28,003</u>	<u>8,119</u>	<u>-</u>	<u>88,611</u>	<u>471</u>	<u>125,204</u>
Segment results	<u>9,656</u>	<u>(3,225)</u>	<u>(6)</u>	<u>25,292</u>	<u>(957)</u>	<u>30,760</u>
Bank interest income and other unallocated income						<u>2,394</u>
Fair value losses, net:						
Equity investments at fair value through profit or loss - held for trading						<u>(666)</u>
Corporate and other unallocated expenses						<u>(6,980)</u>
Unallocated finance costs						<u>(5,345)</u>
Share of profit of a jointly- controlled entity						<u>70,796</u>
Profit before tax						<u>90,959</u>
Income tax expense						<u>(11,178)</u>
Profit for the period						<u>79,781</u>

4. OPERATING SEGMENT INFORMATION (continued)

Business segments (continued)

For the six months ended 30 June 2010

	Property investment (Unaudited) (Restated) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Manufacture and sale of construction materials (Unaudited) HK\$'000	Total (Unaudited) (Restated) HK\$'000
Segment revenue:				
Sales to/revenue from external customers	861	7,794	70,230	78,885
Segment results				
	4,564	1,667	15,643	21,874
Bank interest income and other unallocated income				937
Gain on disposal of subsidiaries				165
Fair value losses, net:				
Equity investments at fair value through profit or loss				
– held for trading				(2,603)
Corporate and other unallocated expenses				(8,885)
Unallocated finance costs				(2,840)
Share of profit of a jointly-controlled entity				53,291
Profit before tax				61,939
Income tax expense				(7,995)
Profit for the period				53,944

4. OPERATING SEGMENT INFORMATION (continued)
Geographical information

(a) Revenue from external customers

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
The People's Republic of China (the "PRC")	124,733	78,885
Hong Kong	-	-
Peru	471	-
	125,204	78,885

The revenue information above is based on the location of the customers.

(b) Non-current assets

	30 June 2011 (Unaudited) HK\$'000		31 December 2010 (Audited) HK\$'000
PRC	579,015	506,956	
Hong Kong	145	96	
Peru	20,563	18,838	
	599,723	525,890	

The non-current assets information above is based on the location of assets.

Information about major customers

Revenue from customers of corresponding periods contributing over 10% of total revenue of the Group is as follows:

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Customer A (Revenue attributable to property investment segment)	27,689	-

5. REVENUE AND OTHER INCOME

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Revenue		
Sales of construction materials	88,611	70,230
Sale of properties	27,362	–
Property management and agency fees	8,119	7,794
Gross rental income	1,112	861
	125,204	78,885
Other income		
Bank interest income	254	101
Interest income on other loans	2,141	–
Others	548	836
	2,943	937

6. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Employee benefits expense (including directors' remuneration)		
Salaries, wages and other benefits *	10,625	7,259
Pension scheme contributions	1,015	982
	11,640	8,241
Cost of inventories sold	52,591	44,095
Cost of properties held for sale	20,898	–
Amortisation of other intangible asset	6,111	5,845
Amortisation of prepaid land lease payments	266	162
Depreciation of property, plant and equipment *	10,869	8,353

* Salaries, wages and other benefits of approximately HK\$2,641,000 (six months ended 30 June 2010: HK\$777,000), HK\$7,461,000 (six months ended 30 June 2010: HK\$6,102,000) and HK\$523,000 (six months ended 30 June 2010: HK\$380,000) were included in cost of sales, administrative expenses and selling and distribution expenses respectively.

* Depreciation of approximately HK\$9,471,000 (six months ended 30 June 2010: HK\$7,072,000) and HK\$1,398,000 (six months ended 30 June 2010: HK\$1,281,000) were included in cost of sales and administrative expenses respectively.

7. FINANCE COSTS

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Interest on bank loan and other loans wholly repayable within five years	3,466	4,316
Less: interest capitalised	–	(1,476)
	3,466	2,840
Other finance costs		
Financial guarantee expenses (<i>note</i>)	1,879	–
	5,345	2,840

Note:

There was no financial guarantee expenses included in the construction in progress for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately of HK\$1,175,000).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Current tax		
Hong Kong	234	–
Elsewhere	3,803	2,781
Deferred tax charge	7,141	5,214
	11,178	7,995
Total tax charge for the period	11,178	7,995

Hunan Taiji Construction Material Company Limited ("Hunan Taiji"), a subsidiary of the Group, is subject to the PRC Enterprise Income Tax ("EIT") at a rate of 25% on taxable income as reported in its financial statements for the period. Hunan Taiji is entitled to exemption from EIT for the first two profitable years commencing from the year ended 31 December 2007 and a 50% reduction from normal EIT for the three years following.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,005,232,055 (six months ended 30 June 2010: 999,632,055) in issue during the period.

The calculation of diluted earnings per share is based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	74,116	48,954

	Number of shares	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,005,232,055	999,632,055
Effect of dilution – weighted average number of ordinary shares:		
Share options	37,940,780	15,776,710
	1,043,172,835	1,015,408,765

10. DIVIDENDS

During the six months ended 30 June 2011, the final dividend in respect of the financial year ended 31 December 2010 of HK1.5 cents per share, totaling of approximately HK\$15,153,000 was paid to shareholders of the Company.

The Board declared an interim dividend of HK1 cent per share (six months ended 30 June 2010: HK1 cent) will be paid to owners of the Company whose names appear in the Register of Members on 6 September 2011.

11. ACCOUNTS RECEIVABLE

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Accounts receivable	20,306	6,186
Impairment	(296)	(256)
	<u>20,010</u>	<u>5,930</u>

Accounts receivable are due immediately from the date of billing. Payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and overdue balances which are reviewed regularly by senior management to minimize credit risk. The accounts receivable are non-interest-bearing and mainly denominated in Renminbi ("RMB").

11. ACCOUNTS RECEIVABLE *(continued)*

An aged analysis of the Group's accounts receivable as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 1 month	6,161	3,011
1 to 3 months	12,009	911
Over 3 months	2,136	2,264
	20,306	6,186
Impairment	(296)	(256)
	20,010	5,930

12. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 1 month	3,319	5,835
1 to 3 months	1,508	3,479
Over 3 months	240	-
	5,067	9,314

Accounts payable are non-interest-bearing and are denominated in RMB.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2011 (Unaudited)		31 December 2010 (Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
Current				
Bank loan - secured (note (i))	2012	30,120	2011	29,070
Other loan – unsecured (note (ii))	On demand	6,024	On demand	5,882
		<hr/>		<hr/>
Amounts repayable within one year or on demand		36,144		34,952
		<hr/>		<hr/>
Non-current				
Bank loan - secured (note (i))	2012-2013	45,181	2012-2013	58,139
		<hr/>		<hr/>
		81,325		93,091
		<hr/> <hr/>		<hr/> <hr/>

Notes:

- (i) The loan is denominated in RMB, bears interest at an interest rate equivalent to that of a relevant term loan quoted by the People's Bank of China per annum multiplied by 120%, and will be due in December 2013. The bank loan is secured by guarantees executed by 北京莊勝崇光百貨商場 (Beijing Junefield Sogo Department Store) ("Beijing Junefield Sogo") which is a related company of the Group and Lianyuan Steel Group Limited ("Lianyuan Steel"), a minority shareholder of Hunan Taiji.
- (ii) The unsecured other loan is denominated in RMB, bears interest at a rate of 9.5% per annum and has no fixed terms of repayment.

14. ISSUED CAPITAL

	Number of shares	Amount
	<i>'000</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each at 31 December 2010 (audited) and 30 June 2011 (unaudited)	<u>25,000,000</u>	<u>2,500,000</u>
Issued and fully paid:		
At 1 January 2011 (audited)	1,002,468	100,247
Exercise of share options (<i>note</i>)	<u>7,700</u>	<u>770</u>
At 30 June 2011 (unaudited)	<u>1,010,168</u>	<u>101,017</u>

Note:

The subscription rights attaching to 7,700,000 share options were exercised at a subscription price of HK\$0.229 per share under the share option scheme adopted by the Company on 29 June 2009, resulting in the issue of 7,700,000 shares of HK\$0.10 each, for a total cash consideration, before expenses, of approximately HK\$1,763,000. An amount of approximately HK\$970,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out certain of its properties under operating lease arrangements with lease terms ranging from one to three years.

At 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	551	1,932
In the second to fifth years, inclusive	402	643
	953	2,575

(b) As lessee

The Group leases a property under operating lease arrangements with a lease term of two years.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	800	800
In the second to fifth year, inclusive	400	800
	1,200	1,600

16. CAPITAL COMMITMENTS

As at 30 June 2011, the Group had no capital commitments (31 December 2010: Nil).

17. LITIGATIONS

On 12 May 2011, International Management Company Limited (“IMC”, an indirectly wholly-owned subsidiary of the Company) received the Civil Case Judgment Wu Min Shang Wai Chu Zi Order No. 11 (2009) (民事裁定書(2009)武民商外初字第11號) dated 5 May 2011 issued by the Intermediate People’s Court of Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市中級人民法院) (the “PRC Intermediate Court”), pursuant to which the PRC Intermediate Court accepted the plaintiff’s application to withdraw its claim against IMC and a previous subsidiary of IMC for an outstanding investment fund of RMB20 million together with the interests of RMB21.63 million due to the plaintiff would like to seek for new evidence.

The Board is advised by its legal advisors in the PRC that the part of IMC’s shareholding which is worth approximately RMB41.63 million in the capital of its jointly-controlled entity in the PRC being frozen in connection with the above claim under the asset preservation order of the PRC Intermediate Court made on 5 May 2009 has been released as a result of the withdrawal of the plaintiff’s claim against IMC.

18. CONTINGENT LIABILITIES

During the period, Wuhan Huaxin Management Ltd. (“WHM”, an indirectly 49%-owned subsidiary of the Company) received a civil case judgment issued by the People’s Court of Jianhan District, Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市江漢區人民法院) (the “PRC Court”), pursuant to which the PRC Court mandatorily enforced WHM to repay certain claimants against Wuhan Huaxin Real Estate Co., Ltd. (“WHRED”, the Group’s available-for-sale investment) amounted to approximately HK\$14,048,000. The PRC Court mandatorily enforced the payment directly from WHM’s bank account with the amount of approximately HK\$4,770,000 which was charged to the income statement during the period. Subsequently, WHM filed a written objection with the PRC Court to challenge against the judgment and the mandatory execution for the reason that WHM was not a directly related company to WHRED. Based on the legal opinion from the Group’s PRC legal advisors, the directors are of the opinion that WHM should not be liable for any repayment liabilities incurred by WHRED since both WHM and WHRED are separate entities under the PRC law and therefore do not consider it is necessary to make any provision in respect of the remaining balance of approximately HK\$9,278,000.

19. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these interim financial statements, the Group had the following material transactions with related parties during the period:

(a) Significant transactions with related parties

		Six months ended	
		30 June 2011 (Unaudited)	30 June 2010 (Unaudited) (Restated)
<i>Note</i>		HK\$'000	<i>HK\$'000</i>
Property management fee received from a jointly-controlled entity	<i>(i)</i>	1,570	1,252
Logistics services fee charged by a related company	<i>(ii)</i>	5,083	5,638
Purchases of raw materials from a related company	<i>(iii)</i>	2,138	2,722
Purchase of properties from a related company	<i>(iv)</i>	–	9,679
Rental expenses paid to the ultimate holding company	<i>(v)</i>	400	396
Financial guarantee expenses paid to related companies	<i>(vi)</i>	1,879	1,175
		1,879	1,175

Notes:

- (i) The Group provided its jointly-controlled entity, with property management services, for which a property management fee of approximately HK\$1,570,000 (six months ended 30 June 2010: HK\$1,252,000) was charged.

19. RELATED PARTY TRANSACTIONS *(continued)***(a) Significant transactions with related parties** *(continued)*

Notes: (continued)

- (ii) Lianyuan Logistics Company Limited (湖南漣鋼物流有限公司) (“Lianyuan Logistics”) provided logistics services to Hunan Taiji. Pursuant to the logistics services agreement dated 29 November 2010 and approved by the shareholders of the Company at the special general meeting on 11 January 2011, Lianyuan Logistics agreed to provide logistics services to Hunan Taiji on a continuous basis for the transportation of the granulated steel slag at RMB7.98 per ton (Value Added Tax (“VAT”) inclusive) (subject to adjustments upon change of government policy on fuel cost and other related costs) for two years commencing from 1 January 2010.
- (iii) Hualing Steel Company Limited (華菱漣源鋼鐵有限公司) (“Hualing Steel”) acts as the supplier of Hunan Taiji for the supply of the required granulated steel slag for production. Pursuant to the Joint Venture Agreement, Lianyuan Steel procured Hualing Steel to enter into the materials supply agreement with Hunan Taiji to supply granulated steel slag to Hunan Taiji at a unit price of RMB4 per ton (VAT inclusive). As at the date of this interim report, Hunan Taiji and Hualing Steel are still in negotiations for a new supply agreement for the year ending 31 December 2011 and prior to entering into of any new supply agreement, the terms under the materials supply agreement dated 26 December 2008 made between Hunan Taiji and Hualing Steel for the year ended 31 December 2009 were and are still adopted.
- (iv) On 17 March 2010, Junefield (Beijing) Property Agency Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into the sale and purchase agreement with Beijing Junefield Real Estate Development Co., Ltd to acquire certain properties situated in the PRC at a total cash consideration of RMB8,517,470 (equivalent to approximately HK\$9,679,000). Beijing Junefield Real Estate Development Co., Ltd. is indirectly owned as to 55% by Mr. Zhou Chu Jian He, the chairman and the controlling shareholder of the Company.
- (v) Rental expenses paid to the ultimate holding company. The monthly rental was mutually agreed between the contracting parties.

19. RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant transactions with related parties *(continued)*

Notes: (continued)

- (vi) Pursuant to the loan agreement dated 21 January 2009 entered into between Hunan Taiji and a bank in the PRC, a bank loan of RMB100 million was advanced by the bank to Hunan Taiji and is repayable on or before 27 December 2013 (the "Loan"). Beijing Junefield Sogo and Lianyuan Steel had been providing guarantees in favour of the bank for the provision of the Loan to Hunan Taiji. On 15 October 2010, Hunan Taiji has entered into the guarantee fee agreements with Beijing Junefield Sogo and Lianyuan Steel respectively, pursuant to which Hunan Taiji has agreed to pay a guarantee fee equivalent to 1% on the outstanding Loan amount to each of Beijing Junefield Sogo and Lianyuan Steel in return for the guarantees provided by them in favour of the bank for the provision of the Loan during the guarantee period under the Loan agreement. The guarantee fees are calculated on a half-yearly basis in arrears and payable in cash until the Loan is fully repaid.

(b) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Short-term employee benefits	594	570

20. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 18 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2011, the Group's revenue increased to approximately HK\$125,204,000 (six months ended 30 June 2010: HK\$78,885,000), representing a significant increase of 59% as over the same period last year. The Group also achieved a profit of approximately HK\$74,116,000 attributable to owners of the Company (six months ended 30 June 2010: HK\$48,954,000), representing an increase of 51% over the same period last year.

The remarkable increase of revenue for the period under review was mainly contributed from the manufacture and sale of construction materials business and the sale of investment properties. The positive result was mainly attributed to the retail and department store business in Wuhan, the People's Republic of China (the "PRC").

Operations Review and Future Prospects

Construction material business

The Group's indirect 60%-owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji") which principally engages in the business of manufacture and sale of slag powder, continued to perform well in the first half of 2011. During the period under review, increase in the selling prices of slag powder resulted in the increase in its turnover and profit over the same period last year. It recorded a turnover of approximately HK\$88,611,000 (six months ended 30 June 2010: HK\$70,230,000), representing a growth of 26% and delivered approximately HK\$18,644,000 (six months ended 30 June 2010: HK\$12,476,000) in profit contribution, representing an increase of 49% over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Future Prospects *(continued)*

Retail business in Wuhan

With the favorable economic environment sustained in the PRC, the Group's jointly-controlled entity continued to be a major profit contributor for the Group in the first half of 2011. It recorded a sales growth of 25% and the Group's share of profit also increased to approximately HK\$70,796,000 (six months ended 30 June 2010: HK\$53,291,000) attributed to its retail and department store business, represented an increase of 33% over the same period last year.

Investment properties in Beijing

During the period under review, the Group recorded rental income of approximately HK\$641,000 (six months ended 30 June 2010: HK\$861,000) from leasing out its investment properties situated in Beijing, the PRC, representing a decrease of 26% over the same period of 2010. The decrease in rental income was due to the decrease in number of office units being let out. In February 2011, the sale of 12 office units in Beijing of which has been contracted for sale in 2009, was completed and resulted in a turnover of approximately HK\$27,362,000 (six months ended 30 June 2010: Nil) and a profit of approximately HK\$6,464,000 (six months ended 30 June 2010: Nil).

Property management and agency services business

During the period under review, the Group's property management business recorded a turnover of approximately HK\$8,119,000 (six months ended 30 June 2010: HK\$7,794,000), representing an increase of 4% and suffered a loss of approximately HK\$3,658,000 (six months ended 30 June 2010: profit of approximately HK\$1,264,000) due to a mandatory enforcement of repayment to certain claimants against the Group's available-for-sale investment pursuant to a civil case judgment issued by a court in Wuhan, the PRC. Details of the case are shown in note 18 to the interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Operations Review and Future Prospects** *(continued)****Trading of coal***

There was no turnover and profit from the trading of coal business for the six months ended 30 June 2011 and 2010. In the meantime, the Group continues to look for suitable business opportunities.

Future prospects

In view of the PRC domestic consumption continued to record positive growth, it is expected that both the retail and department store and the manufacture and sale of construction materials businesses will continue to benefit. Nonetheless, the Group remains cautious ahead with the uncertain global economic environment. The Group also continues to carry out stringent cost control over the business units to minimize the impact on its profit under current inflation environment.

Looking forward, the Group will proactively continue to identify acquisition and exploration opportunities or to diversify into different business sectors in the PRC and overseas with the view to increase value for the shareholders. The Group will further actively strengthen its financial position from time to time, and consider raising funds by suitable means when opportunities arise.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Jointly-Controlled Entities

Save as disclosed above, there is no material acquisition and disposal of subsidiaries, associated companies and jointly-controlled entities during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

As at 30 June 2011, the Group had net assets of approximately HK\$567,867,000 (31 December 2010: HK\$488,876,000) with total assets of approximately HK\$797,252,000 (31 December 2010: HK\$732,614,000) and total liabilities of approximately HK\$229,385,000 (31 December 2010: HK\$243,738,000). The Group's current ratio, which equals to current assets divided by current liabilities, was 1.61 (31 December 2010: 1.56).

The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"), amounted to approximately HK\$134,987,000 as at 30 June 2011 (31 December 2010: HK\$124,826,000). The Group's gearing ratio, as a ratio of total interest-bearing borrowings and bank loan to total assets as at 30 June 2011, was 0.10 (31 December 2010: 0.13).

The directors believe that the Group currently has sufficient financial resources for its operations. The Group will remain cautious and closely monitor its liquidity management.

Capital Structure and Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying businesses of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Borrowings**

As at 30 June 2011, the Group had an interest-bearing bank loan of approximately HK\$75,301,000 (31 December 2010: HK\$87,209,000) which is secured by guarantees executed by a related company of the Group and a minority shareholder of a subsidiary, denominated in RMB and bearing interest at an interest rate equivalent to that of a relevant term loan quoted by the People's Bank of China multiplied by 120% and will be due in December 2013. An unsecured other loan of approximately HK\$6,024,000 (31 December 2010: HK\$5,882,000) is denominated in RMB and interest-bearing at 9.5% per annum with no fixed term of repayment.

Save as disclosed above, the Group had no other borrowings as at 30 June 2011.

Capital Commitments

As at 30 June 2011, the Group had no capital commitments (31 December 2010: Nil).

Charge of Assets

The Group did not have any pledge or charge on assets as at 30 June 2011 (31 December 2010: Nil).

Contingent Liabilities

Details of contingent liabilities are shown in note 18 to the interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Litigations

Details of litigations are shown in note 17 to the interim financial statements.

Exchange Rate Exposure

During the period under review, the business activities of the Group were mainly denominated in Hong Kong dollars and RMB. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk and therefore, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

Employee and Remuneration Policy

As at 30 June 2011, the Group had about 289 employees (six months ended 30 June 2010: 297 employees) of whom 9 (six months ended 30 June 2010: 8) are based in Hong Kong and 280 (six months ended 30 June 2010: 289) based in the PRC and overseas. The remuneration policy and package of the Group's employees are maintained at market level and periodically reviewed by the management. Apart from the basic salary, pension funds, medical insurance scheme and discretionary bonuses, share options may also be granted to eligible employees at the discretion of the Board according to the assessment of individual performance.

SUPPLEMENTARY INFORMATION**Directors' and Chief Executives' Interests in Securities**

As at 30 June 2011, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long position in shares

Name of director	Number of shares held	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He	697,837,417 <i>(Note)</i>	69.08
Mr. Ng Man Chung, Siman	7,008,000	0.69
Mr. Lam Man Sum, Albert	1,700,000	0.17
Mr. Leung Man Kit	266,000	0.03

Note: These 697,837,417 shares are held by Prime Century Investments Limited ("PCI"), a company wholly-owned by Junefield (Holdings) Limited ("JHL"). Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

SUPPLEMENTARY INFORMATION (continued)

Directors' and Chief Executives' Interests in Securities (continued)

(b) Long position in underlying shares - share options

The following directors of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2011	Exercise price per share HK\$
			Balance as at 1 January 2011	Granted during the period	Exercised during the period		
Mr. Zhou Chu Jian He	6 July 2009	6 July 2009 - 5 July 2019	9,980,000	-	-	9,980,000	0.229
Mr. Ng Man Chung, Siman	6 July 2009	6 July 2009 - 5 July 2019	6,000,000	-	(6,000,000)	-	0.229
Mr. Liu Zhongsheng	6 July 2009	6 July 2009 - 5 July 2019	5,000,000	-	-	5,000,000	0.229
Mr. Zhang Xiaobing	6 July 2009	6 July 2009 - 5 July 2019	5,000,000	-	-	5,000,000	0.229
Mr. Leung Man Kit	6 July 2009	6 July 2009 - 5 July 2019	4,500,000	-	-	4,500,000	0.229
Mr. Chan Kwok Wai	6 July 2009	6 July 2009 - 5 July 2019	5,000,000	-	-	5,000,000	0.229
Mr. Lam Man Sum, Albert	6 July 2009	6 July 2009 - 5 July 2019	5,000,000	-	(1,700,000)	3,300,000	0.229
			40,480,000	-	(7,700,000)	32,780,000	

Note: The cash consideration paid by each of the directors for the grant of share option is HK\$1.00.

Save as disclosed above, as at 30 June 2011, so far as is known to the directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

SUPPLEMENTARY INFORMATION *(continued)***Substantial Shareholders' Interests in Securities**

As at 30 June 2011, so far as is known to the directors and the chief executives of the Company, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
PCI <i>(Note)</i>	Directly beneficially owned	697,837,417	69.08
JHL <i>(Note)</i>	Through a controlled corporation	697,837,417	69.08

Note: These 697,837,417 shares are held by PCI, a company wholly-owned by JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

Save as disclosed above, as at 30 June 2011, the Company had not been notified of any person (other than the directors or chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SUPPLEMENTARY INFORMATION *(continued)*

Share Option Scheme

The Company has adopted the current share option scheme (the “2009 Share Option Scheme”) at a special general meeting of the Company held on 29 June 2009 and terminated the former share option scheme at the same meeting.

The total number of shares available for issue (save for those granted but yet to be exercised) under the 2009 Share Option Scheme is 39,376,796 representing approximately 3.9% of the Company’s issued share capital as at the date of this report.

The principal terms of the 2009 Share Option Scheme have been set out in the 2010 annual report. During the period under review, details of the movements of the outstanding share options granted under the 2009 Share Option Scheme are as follows:

Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2011	Exercise price per share HK\$	Weighted average closing price HK\$ (Note 3)
		Balance as at 1 January 2011	Granted during the period (Note 2)	Exercised during the period (Note 3)			
Directors (Note 1)		40,480,000	-	(7,700,000)	32,780,000	0.229	0.72
Other participants in aggregate	6 July 2009 - 5 July 2019	17,200,000	-	-	17,200,000	0.229	-
		<u>57,680,000</u>	<u>-</u>	<u>(7,700,000)</u>	<u>49,980,000</u>		

Notes:

1. Movements of the share options granted to the directors of the Company are shown under the section headed “Directors’ and Chief Executives’ Interests in Securities” of this report.
2. No share options have been granted, forfeited or cancelled during the six months ended 30 June 2011.
3. A total of 7,700,000 share options were exercised during the six months ended 30 June 2011. The weighted average closing price of the shares immediately before the dates on which the share options were exercised was HK\$0.72.

SUPPLEMENTARY INFORMATION *(continued)***Audit Committee**

The Audit Committee was established on 10 November 1999, which comprises three independent non-executive directors, namely Mr. Chan Kwok Wai (chairman of the Audit Committee), Mr. Leung Man Kit and Mr. Lam Man Sum, Albert. The Audit Committee has reviewed and discussed with the management about the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011.

Remuneration Committee

The Remuneration Committee was established on 15 July 2005, which comprises three independent non-executive directors, namely Mr. Leung Man Kit (chairman of the Remuneration Committee), Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert.

Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review, except for the deviation in respect of the communication with shareholders under code provision E.1.2 of the Listing Rules.

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Zhou Chu Jian He, the Chairman of the Board, did not attend the annual general meeting of the Company held on 30 May 2011 due to other business engagement. The Deputy Chairman of the Board, the chairman of the Audit Committee and the chairman of the Remuneration Committee were present at the annual general meeting to answer the shareholders' questions.

SUPPLEMENTARY INFORMATION *(continued)*

Directors' Securities Transaction

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the Model Code for the six months ended 30 June 2011.

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

During the period under review, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

Update on Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

During the period under review, Mr. Leung Man Kit, an independent non-executive director of the Company, has ceased as responsible officer of VC Group. With effect from 17 May 2011, he has been appointed as responsible officer of Chanceton Capital Partners Limited which provides advice on corporate finance under a type 6 licence granted under the SFO (Cap. 571, Laws of Hong Kong).

Dividends

The final dividend of HK1.5 cent per share for the year ended 31 December 2010, totalling approximately HK\$15,153,000, was paid on 3 June 2011. The Board has resolved the payment of an interim dividend of HK1 cent per ordinary share for the six months ended 30 June 2011 (six months ended 30 June 2010: HK1 cent), amounting to approximately HK\$10,102,000 (six months ended 30 June 2010: HK\$9,998,000), to the shareholders whose names appear on the Register of Members on Tuesday, 6 September 2011.

Dividend warrants are expected to be dispatched on or about 14 September 2011.

SUPPLEMENTARY INFORMATION *(continued)***Closure of Registers of Members**

The Registers of Members of the Company will be closed from Friday, 2 September 2011 to Tuesday, 6 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 1 September 2011.

Board of Directors

As at the date of this report, the Board comprises four executive directors, namely Mr. Zhou Chu Jian He (Chairman), Mr. Ng Man Chung, Siman (Deputy Chairman), Mr. Liu Zhongsheng (Chief Executive Officer), and Mr. Zhang Xiaobing and three independent non-executive directors, namely Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert.

By Order of the Board

Zhou Chu Jian He

Chairman

Hong Kong, 18 August 2011