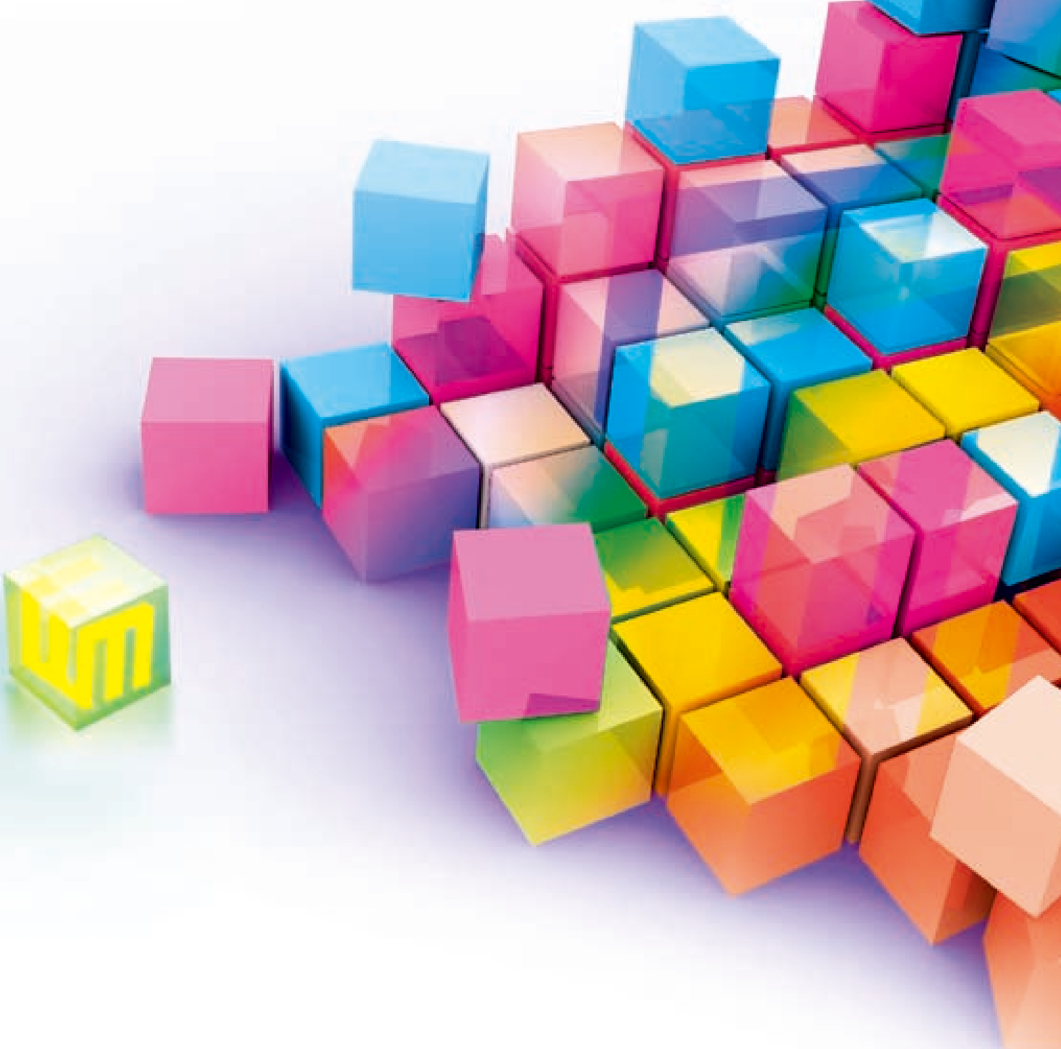
INTERIM REPORT 2011



Madex International (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00231)

CORPORATE INFORMATION

Board of Directors
Executive Directors:
Mr. Zhong Guoxing
(Chief Executive Officer)
Mr. Zhang Guodong

Non-executive Director:
Ms. Liang Huixin

Independent Non-executive Directors:
Dr. Dong Ansheng
Mr. Hung Hing Man
Dr. Tam Hok Lam, Tommy, *JP*

Audit Committee
Dr. Dong Ansheng
(Committee Chairman)
Mr. Hung Hing Man
Dr. Tam Hok Lam, Tommy, *JP*

Remuneration Committee
Dr. Dong Ansheng
(Committee Chairman)
Mr. Zhong Guoxing
Mr. Hung Hing Man
Dr. Tam Hok Lam, Tommy, *JP*

Nomination Committee
Dr. Dong Ansheng
(Committee Chairman)
Mr. Zhong Guoxing
Mr. Hung Hing Man
Dr. Tam Hok Lam, Tommy, *JP*

Authorised Representatives
Mr. Zhong Guoxing
Mr. Chan Kwan Pak

Company Secretary
Mr. Chan Kwan Pak

Auditors
SHINEWING (HK) CPA Limited
43/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal Bankers
Bank of Communications Co. Ltd.
(Hong Kong Branch)
Bank of East Asia, Limited

Principal Registrar and Transfer Office
Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Registrar and Transfer Office
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Head Office and Principal Place of Business
Suite 3005, 30/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Website
www.madex.com.hk

Stock Code
00231

The board (the "Board") of directors (the "Directors") of Madex International (Holdings) Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30.6.2011 (Unaudited) *HK$'000*	30.6.2010 (Unaudited) *HK$'000*
Continuing operations			
Revenue	*3*	**14,517**	13,231
Cost of sales		**(3,513)**	(3,523)
Gross profit		**11,004**	9,708
Other revenue		**157**	310
Bad debt recovered		**1,157**	–
Fair value changes on investment property	*10*	**51,183**	11,494
Share of profits of a jointly controlled entity		**1,753**	–
Distribution costs		**(477)**	(458)
Administrative expenses		**(18,676)**	(11,066)
Finance costs	*4*	**(3,906)**	(3,015)
Profit before tax		**42,195**	6,973
Income tax expenses	*5*	**(12,796)**	(2,945)
Profit for the period from continuing operations	*6*	**29,399**	4,028
Discontinued operation			
Loss for the period from discontinued operation	*9*	**–**	(760)
Profit for the period		**29,399**	3,268

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

	Note	Six months ended 30.6.2011 (Unaudited) HK$'000	30.6.2010 (Unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company			
– Profit for the period from continuing operation		**29,294**	4,109
– Loss for the period from discontinued operation		**–**	(760)
Profit for the period attributable to owners of the Company		**29,294**	3,349
Non-controlling interests			
– Profit/(loss) for the period from continuing operation		**105**	(81)
– Loss for the period from discontinued operation		**–**	–
Profit/(loss) for the period attributable to non-controlling interests		**105**	(81)
		29,399	3,268
Earnings per share	8		
From continuing and discontinued operations			
– Basic and diluted		**0.745 cents**	0.085 cents
From continuing operations			
– Basic and diluted		**0.745 cents**	0.104 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30.6.2011	30.6.2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**29,399**	3,268
Other comprehensive income		
Exchange differences on translation of foreign operations	**5,330**	2,893
Total comprehensive income for the period	**34,729**	6,161
Total comprehensive income attributable to:		
Owners of the Company	**34,548**	6,167
Non-controlling interests	**181**	(6)
	34,729	6,161

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.6.2011 (Unaudited) HK$'000	31.12.2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**36,455**	37,096
Prepaid lease payments		**4,582**	4,572
Investment property	*10*	**426,233**	367,811
Intangible asset	*11*	**46,061**	46,961
Interest in a jointly controlled entity		**37,596**	35,843
		550,927	492,283
Currents assets			
Inventories		**493**	748
Trade and other receivables	*12*	**15,353**	18,983
Amount due from a related company	*16(b)*	**6,024**	–
Pledged bank balances		**3,618**	3,479
Bank balances and cash		**8,445**	28,467
		33,933	51,677
Current liabilities			
Other payables	*13*	**43,440**	38,955
Amount due to a jointly controlled entity	*14*	**3,274**	–
Bank borrowings	*15*	**60,311**	70,909
Tax liabilities		**210**	210
		107,235	110,074
Net current liabilities		**(73,302)**	(58,397)
Total assets less current liabilities		**477,625**	433,886
Capital and reserves			
Share capital		**196,667**	196,667
Reserves		**130,711**	96,163
Equity attributable to owners of the Company		**327,378**	292,830
Non-controlling interests		**4,681**	4,500
Total equity		**332,059**	297,330
Non-current liabilities			
Bank borrowings	*15*	**78,525**	83,421
Deferred tax liabilities		**67,041**	53,135
		145,566	136,556
		477,625	433,886

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	196,667	130,594	52	28,560	(108,836)	247,037	5,578	252,615
Profit/(loss) for the year	–	–	–	–	54,269	54,269	(1,280)	52,989
Other comprehensive (expense)/income	–	–	–	(8,476)	–	(8,476)	202	(8,274)
Total comprehensive (expense) income for the year	–	–	–	(8,476)	54,269	45,793	(1,078)	44,715
At 31 December 2010 and 1 January 2011	196,667	130,594	52	20,084	(54,567)	292,830	4,500	297,330
Profit for the period	–	–	–	–	29,294	29,294	105	29,399
Other comprehensive income	–	–	–	5,254	–	5,254	76	5,330
Total comprehensive income for the period	–	–	–	5,254	29,294	34,548	181	34,729
At 30 June 2011	**196,667**	**130,594**	**52**	**25,338**	**(25,273)**	**327,378**	**4,681**	**332,059**

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	196,667	130,594	52	28,560	(108,836)	247,037	5,578	252,615
Profit/(loss) for the period	–	–	–	–	3,349	3,349	(81)	3,268
Other comprehensive income	–	–	–	2,818	–	2,818	75	2,893
Total comprehensive income/(expenses) for the period	–	–	–	2,818	3,349	6,167	(6)	6,161
At 30 June 2010	196,667	130,594	52	31,378	(105,487)	253,204	5,572	258,776

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2011	30.6.2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from (used in) operating activities	**3,562**	(5,184)
Net cash used in investing activities	**(6,850)**	(33,192)
Net cash used in financing activities	**(16,898)**	54,359
Net (decrease) increase in cash and cash equivalents	**(20,186)**	15,983
Cash and cash equivalents at beginning of the period	**28,467**	64,446
Effect of foreign exchange rate changes	**164**	704
Cash and cash equivalents at end of the period	**8,445**	81,133

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2011

1. Basis of preparation

The condensed consolidated 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 of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment property, which is measured at fair value.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures (except for the partial exemption in paragraphs 25 to 27 for government-related entities)
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. Principal accounting policies *(continued)*

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets[4]
HKAS 19 (as Revised in 2011)	Employee benefits[2]
HKAS 27 (as Revised in 2011)	Separate financial statements[2]
HKAS 28 (as Revised in 2011)	Investments in associates and joint ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2012.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Specifically under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 9 may affect the Group's classification and measurement of other financial assets.

The five new or revised standards on consolidation, joint arrangements and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as Revised in 2011) and HKAS 28 (as Revised in 2011) were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time.

2. Principal accounting policies *(continued)*

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. Under HKAS 31, the Group's jointly controlled entities are accounted for using the equity method of accounting.

The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year beginning on 1 January 2013 and are in the process of assessing the impact.

The amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised standards will have no material impact on the results and financial position of the Group.

3. Segment information

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performances focuses more specifically on the nature of industries.

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

Property leasing	Property leased in Harbin for rental income and resort operation in Nanzhang
Right to receive royalty fee	Royalty fee related to the royalty right leasing in Zhuhai
Trading of goods	Trading of goods in Harbin and Binzhou

The operation of property development was discontinued in 2010. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 9.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments for the period.

	Property leasing		**Right to receive royalty fee**		**Trading of goods**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**9,542**	8,550	**3,550**	2,873	**1,425**	1,808	**14,517**	13,231
Segment profit/(loss)	**57,096**	16,699	**(631)**	278	**87**	(295)	**56,552**	16,682
Unallocated corporate expenses							**(13,512)**	(7,004)
Unallocated other revenue							**151**	310
Bad debt recovered							**1,157**	–
Share of profits of a jointly controlled entity							**1,753**	–
Finance costs							**(3,906)**	(3,015)
Profit before tax							**42,195**	6,973

4. Finance costs

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
Continuing operations		
Interest expenses on bank borrowings		
wholly repayable		
– within five years	**476**	18
– over five years	**3,430**	2,997
	3,906	3,015

5. Income tax expenses

Continuing operations

No provision for Hong Kong Profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (30.6.2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
Current tax		
PRC Enterprise Income Tax	**–**	71
Deferred tax		
Fair value changes on investment properties	**12,796**	2,874
	12,796	2,945

6. Profit for the period from continuing operations

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30.6.2011 HK$'000	Six months ended 30.6.2010 HK$'000
Continuing operations		
Amortisation of an intangible asset (included in cost of sales)	**1,663**	1,594
Amortisation of prepaid lease payments	**66**	111
Depreciation for property, plant and equipment	**1,410**	1,014
Total depreciation and amortisation	**3,139**	2,719
Loss on disposal of property, plant and equipment	**–**	465
Interest income	**(151)**	(310)

7. Dividend

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2011 (30.6.2010: Nil).

8. Earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30.6.2011 HK$'000	Six months ended 30.6.2010 HK$'000
Earnings		
Profit for the period attributable to owners of the Company	**29,294**	3,349

	30.6.2011	30.6.2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**3,933,329,504**	3,933,329,504

Diluted earnings per share and basic earnings per share for each of the 6 months ended 30 June 2011 and 2010 were the same as there were no potential ordinary shares outstanding for both periods.

8. Earnings per share *(continued)*

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	*HK$'000*
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company	**29,294**	3,349
Add:		
Loss for the period from discontinued operation	**–**	760
	29,294	4,109

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation for the six months ended 30 June 2010 is HK$0.019 cents per share based on the loss for the period from the discontinued operation of approximately HK$760,000 and the denominators details above for both basic and diluted earnings per share.

9. Discontinued operation

On 12 August 2010, Dynamic Global Development Limited, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement to dispose of Fairyoung (Shanghai) Properties Limited ("Fairyoung (Shanghai)"), which carried out all of the Group's property development operations (the "Disposal"), to an independent third party. Since Fairyoung (Shanghai) has been inactive since late 2008, it is unable to generate any revenue or income to the Group.

The comparative loss from discontinued operation have been re-presented to include the operation classified as discontinued.

The Disposal was completed on 30 September 2010.

9. Discontinued operation *(continued)*

The results of the property development operations for the period from 1 January 2010 to 30 June 2010, which have been included in the consolidated income statement, were as follows:

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	*HK$'000*
Loss for the period from discontinued operation		
Other revenue	**–**	–
Expenses	**–**	(760)
Loss before tax	**–**	(760)
Attributable income tax expense	**–**	–
Loss for the period from discontinued operation	**–**	(760)

10. Investment property

The fair values of the Group's investment property at 30 June 2011 has been arrived at on the basis of a valuation carried out on that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent qualified professional valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

An increase in fair value of approximately HK$51,183,000 has been recognised in the condensed consolidated income statement in the current period.

11. Intangible asset

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
At 1 January	**46,961**	48,205
Exchange adjustments	**763**	2,014
Amortisation for the period	**(1,663)**	(3,258)
At end of the period	**46,061**	46,961

12. Trade and other receivables

At 30 June 2011, included in trade and other receivables are trade receivables of approximately HK$3,272,000 (31.12.2010: approximately HK$6,068,000).

The credit period granted to the Group's trade receivables generally ranges from 30 days to 120 days. The following is an aged analysis of trade receivable net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	30.6.2011 *HK$'000*	31.12.2010 *HK$'000*
Within 3 months	**3,243**	1,463
4 to 6 months	**–**	1,463
Over 6 months	**29**	3,142
Total	**3,272**	6,068

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered full recoverable. The Group does not hold any collateral over these balances.

13. Other payables

	30.6.2011 *HK$'000*	31.12.2010 *HK$'000*
Other payables and accrued charges	**21,162**	18,284
Outstanding consideration for acquisition of an intangible asset through acquisition of a subsidiary	**10,000**	10,000
Refundable deposits received	**4,452**	4,379
Rental received in advance	**7,826**	6,292
	43,440	38,955

14. Amount due to a jointly controlled entity

The amount is unsecured, non-interest bearing and repayable on demand.

15. Bank borrowings

During the current period, the Group repaid bank borrowings of approximately HK$17,076,000 (31.12.2010: approximately HK$8,469,000)

During the year ended 31 December 2010, the Group entered into loan agreements with a bank for loans facilities amounting to approximately HK$61,500,000 with variable interest rates of 1.5% to 2.25% per annum over Hong Kong Interbank Offered Rate.

16. Material related party transactions

(a) On 27 February 2011, Quick Silver Global Enterprises Limited ("Quick Silver"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement (the "Acquisition Agreement"), with Mr. Liang Wenguan ("Mr Liang"), a controlling shareholder of the Company and Profit China Investments Development Limited ("Profit China"), a company beneficially wholly-owned by Mr. Liang. Pursuant to the Acquisition Agreement, Quick Silver conditionally agreed to acquire the entire equity interest in Glory Point Investments Limited ("Glory Point") and Da Hong Investments Limited ("Da Hong") and the entire amount of loan owing from any member(s) of Glory Point, Da Hong and their subsidiaries (the "Target Group") to Profit China as at the date of Acquisition Agreement at the consideration of approximately HK$1,213,551,000.

The principal assets of the Target Group are the properties situated in Chongqing, the PRC, comprising properties for commercial uses, management offices and car parks.

The consideration is to be satisfied by Quick Silver in the following manner:

(i) as to approximately HK$481,140,000 by way of issue of the consideration shares of the Company to Profit China upon the date of completion; and

(ii) as to approximately HK$732,411,000 by way of full conversion of three convertible notes at the initial conversion price of HK$0.128 per conversion share with a total of approximately 5,721,961,000 conversion shares to be issued.

Details are set out in the Circular of the Company dated 25 May 2011. The above acquisitions were duly passed by the independent shareholders on 13 June 2011.

(b) The Company made a loan of approximately HK$6,024,000 (RMB5,000,000) to a subsidiary of the Target Group on 27 June 2011. The loan is unsecured, non-interest bearing and repayable on demand.

16. Material related party transactions *(continued)*

(c) During the year ended 31 December 2010, the Group entered into following transactions with its related parties:

(i) During the year ended 31 December 2010, Mr. Liang provided a personal guarantee to the bank for the repayment of the bank loan of approximately HK$61,500,000.

(ii) During the year ended 31 December 2010, Zhu Hai Port Plaza Development Limited, a subsidiary of the Company's ultimate holding company, had provided a corporate guarantee to secure the recoverability of the amount of HK$35,000,000 loaned to珠海保利三好有限公司, a non-wholly owned subsidiary of the other joint venture party which entered into a joint venture agreement with a subsidiary of the Company for the establishment of a jointly controlled entity, Madex (Zhuhai) Limited, in 2010, from Madex (Zhuhai) Limited.

(d) During the current period, the remuneration for key management personnel of the Group was approximately HK$1,125,000 (six months ended 30.6.2010: approximately HK$984,000).

17. Operating Lease Commitments

At 30 June 2011 and 31 December 2010, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	30.6.2011 ***HK$'000***	31.12.2010 *HK$'000*
Within one year	**47**	95

18. Contingent liabilities

In June 2010, D.G. Trading Limited (as plaintiff) ("Plaintiff"), a wholly-owned subsidiary of the Company, commenced legal proceedings in the Court of First Instance of Hong Kong against Full Year Asia Pacific Limited (as defendant) ("Defendant"), claiming for the refund of the deposit in the sum of RMB8 million paid by the Plaintiff to the Defendant pursuant to a sub-distributorship agreement dated 5 December 2008 entered into between the Plaintiff and the Defendant on the ground that the Defendant had breached certain terms and conditions of the said agreement, or for damages to be assessed, together with interest and costs. The Defendant denied the Plaintiff's claim and counterclaimed against the Plaintiff for loss and damages to be assessed (allegedly in the amount of RMB12 million) together with interest and costs in October 2010. As at 30 June 2011, the case was still pending. According to the legal opinion from the Plaintiff's legal adviser handling the legal proceedings, the Defendant's counterclaim was weak since it had suffered no actual loss and damages or was unable to quantify its loss and damages, and subject to the evidence produced at discovery stage and/or given at trial, it was optimistic for the Plaintiff's claim of RMB8,000,000 to succeed at trial. Should the Plaintiff win the case, the ultimate recoverability of the said amount would, however, depend on the Defendant's financial position and available assets to satisfy the judgement. In the opinion of the Directors, the Group had a valid and strong ground of defence and would not suffer material financial losses arising from the litigation, if any. Accordingly, no provision for any claim amount and other costs was made as at 30 June 2011 for consolidated financial statement purpose.

19. Pledge of assets

At 30 June 2011, bank balances of approximately HK$3,618,000 (31.12.2010: approximately HK$3,479,000), leasehold land and buildings and investment property with carrying value of approximately HK$31,096,000 (31.12.2010: approximately HK$31,903,000) and approximately HK$426,233,000 (31.12.2010: approximately HK$367,811,000) respectively, were pledged to secure general banking facilities granted to the Group or borrowings of the Group.

In addition, the Group has pledged its entire equity interest in its wholly-owned subsidiaries, New China IQ Limited, Dynamic Progress Development Limited and Harbin Dynamic Global Property Company Limited, to secure banking facilities granted to the Group.

20. Events after the end of interim period

The acquisitions as stated in note 16(a) were completed on 7 July 2011 and approximately 4,373,997,000 consideration shares were issued by the Company to Mr. Liang and the first convertible note in the principal amount of approximately HK$502,521,000 were issued by the Company to Profit China on 7 July 2011 pursuant to the Acquisition Agreement.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in property investment and development in the PRC.

For the six months ended 30 June 2011, the Group recorded a turnover of HK$14,517,000, representing an increase of 10% from HK$13,231,000 for the corresponding period last year.

The Group's unaudited consolidated profit for the period under review amounted to HK$29,399,000 from HK$3,268,000 for the corresponding period last year, representing an increase of 800%. The substantial increase in profit was mainly attributable to the change in fair value of investment property of the Group.

As before, the Group's commercial building in Harbin has been providing long-term steady rental income for the Group. The hotel management right in relation to Xiang Quan Hotel has also been generating royalty fee income for the Group on an on-going basis.

However, the Group's joint venture, formed about one year ago, has not commenced provision of property management service by the end of 2010 as expected. There was a share of profit of jointly controlled entity in the amount of HK$1,753,000 (six months ended 30 June 2010: Nil) for the Group during the period.

With the confidence in the tremendous potential in the western region of China, the Group initiated a very substantial acquisition of a mall in Chongqing, Sichuan Province, a hub of the vast western region of the PRC during the period under review. The acquisition was completed after the period end and has become our biggest investment project. Though it had not generated any income for the Group during the period, it is expected that it will bring in long term rental income and asset appreciation potential in future.

ASSETS AND LIABILITIES

As at 30 June 2011, the Group had total liabilities of about HK$252,801,000, of which approximately HK$60,311,000 was secured bank loans repayable within the next 12 months.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING, CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 June 2011, the Group's current assets and current liabilities were HK$33,933,000 and HK$107,235,000 respectively.

As at 30 June 2011, main charges on assets of the Group were property, plant and equipment, investment properties and bank balances of approximately HK$31,096,000, HK$426,233,000 and HK$3,618,000 respectively. Moreover, the equity interests of several subsidiaries were also pledged.

The Group's assets/liabilities ratio is calculated on its total liabilities divided by total assets. As at 30 June 2011, the ratio was 43.2%.

Details of the contingent liabilities are provided in note 18.

As at 30 June 2011, the Group had no material capital commitments.

The Board believes that the Group's cash holding, liquid asset value and future revenue will be sufficient to fund its capital expenditure and meet its working capital requirements.

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi or HK dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

HUMAN RESOURCES

The Group has a total of approximately 50 employees, who are remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training is provided to staff from time to time. The Group currently does not have any share option scheme for employees.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests of directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by our Company pursuant to Section 352 of the SFO, or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Type of interests	Number of shares held	Percentage of interest
Mr. Zhong Guoxing *(Note)*	Family	550,000	0.01%

Note: Mr. Zhong is deemed to have a family interest in the said shares held by his spouse.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At as 30 June 2011, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of substantial shareholder	No. of ordinary shares of HK$0.05 each			Shareholding percentage
	Personal interests	Corporate interests	Total	
Mr. Liang Wenguan	125,412,000	2,084,549,171	2,209,961,171	56.19%

As at 30 June 2011, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011 except for certain deviations as follows:

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. No Board Chairman has been appointed by the Company, and decisions are made collectively by the Executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

Appointments, Re-election and Removal of Directors

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Independent Non-executive Directors ("INEDs") of the Company had no fixed term of office during the period, but all of them are subject to the relevant provisions of the Bye-laws ("Bye-laws") of the Company and any other applicable laws whereby they shall vacate or retire from their office. According to the Bye-laws, at each annual general meeting of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors and is responsible for review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records and external auditors and senior management.

The unaudited interim results for the period ended 30 June 2011 have been reviewed by the Audit Committee before recommendation to the Board for approval.

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

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

By Order of the Board
Zhong Guoxing
CEO & Executive Director

Hong Kong, 25 August 2011