



中國東方文化集團有限公司
China Oriental Culture Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

INTERIM REPORT 2011



The board (the "Board") of directors (the "Directors") of China Oriental Culture Group 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 STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Continuing operations			
Turnover	3	49,288	3,476
Revenue		28,985	3,476
Cost of sales and services		(33,026)	(20,435)
Gross loss		(4,041)	(16,959)
Other income	4	10	278
Selling and marketing expenses		(591)	–
Administrative expenses		(22,898)	(14,038)
Finance costs	5	(6,247)	(18,502)
Loss on disposal of financial assets at fair value through profit or loss		(1,232)	–
Decrease in fair value of financial assets at fair value through profit or loss		–	(10,852)
Share of result of an associate		(1,559)	476
Loss before tax		(36,558)	(59,597)
Income tax expense	6	–	–
Loss for the period from continuing operations	7	(36,558)	(59,597)
Discontinued operations			
Profit (loss) for the period from discontinued operations	8	3,331	(1,008)
Loss for the period		(33,227)	(60,605)
Exchange differences arising on translation and other comprehensive (expenses) income for the period		(858)	2,583
Total comprehensive expenses for the period		(34,085)	(58,022)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Loss for the period attributable to:			
Owners of the Company			
Loss for the period from continuing operations		(36,456)	(59,580)
Profit (loss) for the period from discontinued operations		3,331	(1,008)
		(33,125)	(60,588)
Non-controlling interests			
Loss for the period from continuing operations		(102)	(17)
Profit (loss) for the period from discontinued operations		-	-
		(102)	(17)
		(33,227)	(60,605)
Total comprehensive expenses attributable to:			
Owners of the Company		(33,983)	(58,005)
Non-controlling interests		(102)	(17)
		(34,085)	(58,022)
Loss per share	10		
Basic and diluted (RMB cents)			
From continuing and discontinued operations		(1,985)	(6.552)
From continuing operations		(2,184)	(6.443)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	<i>Notes</i>	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Non-current Assets			
Property, plant and equipment	11	11,336	9,891
Goodwill	18	63,996	–
Intangible asset		638,900	646,304
Interest in an associate		–	1,590
Deposit paid for acquisition of an intangible asset		–	10,108
Prepayment for a mobile media project		5,000	5,000
Available-for-sale investment		2,076	1,694
		721,308	674,587
Current Assets			
Amount due from an associate		28,102	23,527
Trade and other receivables	12	48,578	22,889
Financial assets at fair value through profit or loss		–	21,960
Restricted bank balances		–	42
Bank balances and cash		25,681	41,657
		102,361	110,075

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	<i>Notes</i>	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Current Liabilities			
Trade and other payables	13	5,987	19,584
Amount due to a shareholder		932	5,977
Tax payable		21	40
Derivative financial liabilities		1,673	–
		8,613	25,601
Net Current Assets			
		93,748	84,474
Total Assets Less Current Liabilities			
		815,056	759,061
Capital and Reserves			
Share capital	14	154,998	142,126
Reserves		569,547	542,990
Equity attributable to owners of the Company		724,545	685,116
Non-controlling interests		1,695	816
Total Equity			
		726,240	685,932
Non-current Liabilities			
Convertible loan notes	15	88,816	73,129
		815,056	759,061

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Total equity of the Company at 1 January	685,116	169,649
Non-controlling interests	816	–
	685,932	169,649
Change in equity during the period:		
– Exchange difference arising on translation	(858)	2,583
– Loss for the period	(33,125)	(60,588)
– Non-controlling interests	(102)	(17)
	(33,227)	(60,605)
Total comprehensive expenses for the period	(34,085)	(58,022)
Recognition of equity-settled share-based payments	6,117	3,436
Recognition of equity component of convertible loan notes	6,375	443,235
Issue of shares upon exercise of share options	–	3,949
Issue of shares upon conversion of convertible loan notes	7,768	160,908
Issue of shares on settlement of consideration in respect of acquisition of subsidiaries	53,152	–
Non-controlling interests – capital contribution by non-controlling shareholders of a subsidiary	981	–
Share repurchased and cancelled, net of share repurchase expenses	–	(1,111)
Total equity of the Company at 30 June	726,240	722,044

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Net cash used in operating activities	(29,705)	(12,911)
Net cash used in investing activities	(6,587)	(4,396)
Net cash generated from (used in) financing activities	20,936	(5,800)
Net decrease in cash and cash equivalents	(15,356)	(23,107)
Cash and cash equivalents at the beginning of the period	41,657	84,973
Effect of foreign exchange rate changes	(620)	(682)
Cash and cash equivalents at the end of the period	25,681	61,184
Analysis of cash and cash equivalents		
Bank balances and cash	25,681	61,184

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 1205-1207, 12th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong. The directors do not consider any company to be the ultimate holding company of the Company.

The Company is an investment holding company. The functional currency and presentation currency of the Company is Hong Kong Dollars ("HK\$"). The functional currencies for its certain subsidiaries are Renminbi ("RMB"). As the Group mainly operates in the People's Republic of China (the "PRC"), the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in RMB.

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 34 (HKAS 34), Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosure
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Interpretation (“Int”) 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period had 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.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosures of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKFRS 1 (Revised)	Presentation of Financial Statements ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (Revised)	Separate Financial Statements ⁴
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ⁴

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 July 2012.

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

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

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

1. Advertising media – provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies.
2. Other media – provision of consultancy services and business operation services.
3. Securities trading – trading of financial assets at fair value through profit or loss.
4. Sales of third party software and hardware – provision of third party operational supporting system (OSS) software and hardware.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an analysis of the Group's turnover and results by reportable segment:

	Turnover		Segment results	
	Six months ended 30 June			
Continuing operations	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Advertising media	22,985	–	(17,183)	(17,835)
Other media	6,000	–	5,947	–
Securities trading	20,303	–	(1,305)	(10,873)
Sales of third party software and hardware	–	3,476	(599)	49
	49,288	3,476	(13,140)	(28,659)
Unallocated corporate expenses			(15,622)	(13,190)
Unallocated other income			10	278
Share of result of an associate			(1,559)	476
Finance costs			(6,247)	(18,502)
Loss before tax			(36,558)	(59,597)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Segment assets

The following is an analysis of the Group's assets by reportable and operating segments:

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Audited) RMB'000 (Restated)
Continuing operations		
Advertising media	687,894	666,806
Other media	80,494	–
Securities trading	–	21,960
Sales of third party software and hardware	–	11,248
Total segment assets	768,388	700,014
Assets relating to discontinued operation	–	2,441
Unallocated corporate assets	55,281	82,207
Consolidated assets	823,669	784,662

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Continuing operations		
Bank interest income	3	6
Sundry income	7	272
	10	278

5. FINANCE COSTS

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Continuing operations		
Effective interest expenses on convertible loan notes (<i>note 15</i>)	6,247	18,502

6. INCOME TAX

No provision for PRC Enterprise Income Tax was made for the six months ended 30 June 2011 and 2010 since the Company's in the PRC incurred a tax loss for both periods.

Hong Kong Profits Tax was made in the condensed consolidated statement of comprehensive income at 16.5% on the estimated assessable profits for the six months ended 30 June 2011 and 2010. No provision for Hong Kong Profits Tax was made in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 and 2010 as the Group did not have any assessable profit arising in Hong Kong for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS FOR THE PERIOD – CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Directors' emoluments	5,808	1,812
Other staff costs	2,568	2,005
Share based payment expenses	2,166	3,255
Retirement benefits scheme contributions excluding directors' emoluments	228	165
Total staff costs	10,770	7,237
Depreciation of property, plant and equipment	753	384
Amortisation of intangible asset	17,513	17,008
Total depreciation and amortisation	18,266	17,392
Cost of inventories recognised as an expense	-	4,102
Operating lease rentals in respect of rented premises	1,486	1,359

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DISPOSAL OF A SUBSIDIARY (DISCONTINUED OPERATION)

On 16 May 2011, the Group entered into the sale agreement to dispose the entire interest in its subsidiary, 上海直真節點技術開發有限公司 (“Shanghai ZZNode”), which carried out provision of self-developed operational supporting system (OSS) software and maintenance, training and other services operations. The purpose of the disposal was effected in order to concentrate in the advertising media business. The disposal was completed on 3 June 2011, on which date the Group lost control of Shanghai ZZNode. The Group’s provision of self-developed operational supporting system (OSS) software and maintenance, training and other services operations are treated as discontinued operations.

The profit (loss) from the discontinued operations for the current and prior periods is analysed as follows:

	Five months ended 3 June 2011 RMB’000	Six months ended 30 June 2010 RMB’000
Loss of properties investments operation	–	(33)
Loss of sales of self-developed software operation	–	(423)
Loss of maintenance, training and other services operations	(444)	(552)
Gain on disposal of self-developed software and maintenance, training and other services operations	3,775	–
	3,331	(1,008)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The results of the discontinued operations for the current and prior periods were as follows:

	Five months ended 3 June 2011 RMB'000	Six months- ended 30 June 2010 RMB'000
Turnover	-	691
Cost of sales	-	(675)
Gross profit	-	16
Other income	-	49
Selling and marketing expense	(4)	(20)
Administrative expenses	(440)	(1,053)
Loss for the period	(444)	(1,008)

The net liabilities of Shanghai ZZNode at the date of disposal were as follows:

	3 June 2011 RMB'000
Trade and other receivables	1,225
Bank balances and cash	2
Accruals and other payables	(4,507)
	(3,280)
Gain on disposal	3,775
Total consideration	495
Satisfied by:	
Cash	495
Net cash inflow arising on disposal:	
Total cash consideration received	495
Bank balances and cash disposed of	(2)
	493

The disposal of Shanghai ZZNode has no material impact on the Group's results and cash flows in the current and prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

10. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Loss for the period		
Loss for the period attributable to owners of the Company	(33,125)	(60,588)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,669,137	924,793

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

From continuing operations

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

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000 (Restated)
Loss figures are calculated as follows:		
Loss for the period attributable to the owners of the Company	(33,125)	(60,588)
Less: profit (loss) for the period from discontinued operations	3,331	(1,008)
Loss for the purposes of basic loss per share from continuing operations	(36,456)	(59,580)

From discontinued operations

Earnings (loss) per share for the discontinued operations is RMB0.200 cents per share (2010: loss RMB0.109 cents per share), based on the profit (loss) for the period attributable to owners of the Company from discontinued operations of RMB3,331,000 (2010: loss RMB1,008,000) and the denominators detailed above for basic earnings (loss) per share.

For the period ended 30 June 2011, the basic and diluted loss per share are the same as the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss/earnings per share from continuing and discontinued operations.

For the period ended 30 June 2010, the basic and diluted loss per share are the same as computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market prices for shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group had additions to property, plant and equipment in the amount of approximately RMB2,198,000 (for the corresponding period in 2010: approximately RMB3,144,000).

12. TRADE AND OTHER RECEIVABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Trade receivables	18,684	13,689
Deposits and prepayments	29,844	8,442
Other receivables	50	758
	48,578	22,889

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of accumulated impairment loss presented based on the invoice date.

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within 90 days	18,684	11,376
91 to 180 days	-	2,313
	18,684	13,689

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Trade payables	3,608	6,082
Accrued and other payables	2,379	13,502
	5,987	19,584

The following is an aged analysis of trade payables and presented based on the invoice date.

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within 90 days	3,608	3,901
91 to 180 days	-	2,181
	3,608	6,082

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Number of shares '000	Equivalent nominal value of ordinary shares	
		HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each at 1 January 2011 and 30 June 2011	10,000,000	1,000,000	879,100
Issued and fully paid ordinary shares of HK\$0.1 each:			
At 1 January 2011 (audited)	1,575,436	157,544	142,126
Issue of shares upon conversion of convertible loan notes	55,000	5,500	4,567
Issue of shares on settlement of consideration in respect of acquisition of subsidiaries	100,000	10,000	8,305
At 30 June 2011 (unaudited)	1,730,436	173,044	154,998
	Number of shares '000	Equivalent nominal value of ordinary shares HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each at 1 January 2010 and 31 December 2010	10,000,000	1,000,000	879,100
Issued and fully paid ordinary shares of HK\$0.1 each:			
At 1 January 2010 (audited)	461,056	46,106	47,749
Issue of shares upon exercise of share options	3,500	350	296
Issue of shares upon conversion of convertible loan notes	1,111,980	111,198	94,174
Shares repurchased and cancelled	(1,100)	(110)	(93)
At 31 December 2010 (audited)	1,575,436	157,544	142,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONVERTIBLE LOAN NOTES

- (i) During the year ended 31 December 2010, pursuant to the acquisition of the entire issued share capital of Precious Luck Enterprises Limited ("Precious Luck"), the Company issued zero-coupon convertible loan notes ("CB1") as partial settlement of the acquisition consideration. The convertible loan notes have an aggregate principal amount of HK\$756,000,000 (equivalent to RMB659,262,000) and are denominated in HK\$. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 1 January 2015 at a conversion price of HK\$0.519 (subject to adjustments) per convertible loan notes. If the notes have not been converted, they will be redeemed on 1 January 2015 at par.

The convertible loan notes contain two components, liability component and equity component. The equity component is presented in equity heading ("convertible bonds reserve"). The effective interest rate of the liability component is 25% per annum.

The movement of the liability component of CB1 for the period is set out below:

	30 June 2011 (Unaudited) RMB	31 December 2010 (Audited) RMB
Carrying amount at the beginning of the year	73,129	–
Issue of convertible loan notes	–	216,027
Effective interest expenses	6,054	23,487
Conversion during the period/year	(7,768)	(160,157)
Exchange alignment	(1,417)	(6,228)
Carrying amount at the end of the period/year	69,998	73,129

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(ii) Issue of New Convertible Loan Notes:

The Company issued an aggregate principal amount RMB25,000,000, 8% coupon convertible loan notes ("CB2") on 23 June 2011. The convertible loan notes are denominated in Renminbi. The notes entitle the holders to convert them into ordinary share of the Company at any time between the date of issue of the notes and their settlement date on 23 June 2013 at a conversion price of HK\$0.49 per share. If the notes have not been converted, they will be redeemed at 100% of its principal amount on 23 June 2013. Interest of 8% will be paid quarterly up until the settlement date.

The conversion price is subject to adjustment for, among other matters, subdivision and consolidation of the share, rights issue, extraordinary stock or cash distribution, and other dilutive events. If the closing price per share as quoted on the Stock Exchange for any five consecutive trading days at any time after the first six months from the date of issue of CB2 are less than the conversion price in force, then the conversion price of the CB2 shall be reset at 80.1% of the average of the closing prices or the par value of the share, whichever is higher. The conversion price of the CB2 shall only be reset once, if any.

The CB2 contain two components, liability component and equity component. The effective interest rate of the liability component is 25.26% per annum.

The movement of CB2 is as follows:

	Liability component
	RMB'000
Carrying amount at 16 June 2011	18,625
Effective interest expenses	193
Carrying amount at 30 June 2011	18,818

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is the analysis of CB1 and CB2 for financial reporting purposes:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Financial liabilities at amortised cost		
Liability component of CB1	69,998	73,129
Liability component of CB2	18,818	–
	88,816	73,129

16. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 31 October 2004 for the primary purpose of providing incentives to directors and eligible employees and will expire on 30 October 2014.

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2011	75,340,000
Granted during the period	36,800,000
Cancelled during the period	(26,760,000)
Exercised during the period	–
Lapsed during the period	(1,200,000)
Outstanding as at 30 June 2011	84,180,000

The closing price of the Company's share immediately before 6 January 2011 and 2 June 2011, the date of grant, was HK\$0.83 and HK\$0.59 respectively.

In the current period, share options were granted on 6 January 2011 and 2 June 2011. The fair values of the options determined at the dates of grant using the Black-Scholes option pricing model were HK\$0.2818 and HK\$0.1885 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following assumptions were used to calculate the fair values of share options:

	6/1/2011	2/6/2011
Grant date share price	HK\$0.85	HK\$0.58
Exercise price	HK\$0.85	HK\$0.58
Expected life	1.5 years	1.5 years
Expected volatility	69.54%	68.08%
Dividend yield	0%	0%
Risk-free interest rate	0.44%	0.32%

The Group recognised the total expenses of approximately RMB6,117,000 (for the six months ended 30 June 2010: approximately RMB3,436,000) for the six months ended 30 June 2011 in relation to the share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which full due as follow:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	8,236	4,260
In the second to fifth year inclusive	12,751	5,347
	20,987	9,607

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

18. ACQUISITION OF SUBSIDIARIES

On 25 March 2011, the Group acquired 100% equity interest in Bold Champion International Limited ("Bold Champion") for an aggregate consideration of HK\$74,000,000 (approximately RMB61,457,000), of which was satisfied by HK\$10,000,000 in cash and an aggregate of 100,000,000 new shares of the Company. Details of the acquisition were set out in the announcements of the Company dated 3 March 2011 and 25 March 2011. The amount of goodwill arising as a result of the acquisition was approximately RMB63,996,000.

Consideration transferred

	RMB'000
Deposit paid for acquisition of investment	8,305
Share consideration paid	53,152
Contingent consideration arrangement	1,673
	63,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	RMB'000
Current assets	
Prepayments, deposits and other receivables	103
Bank balances and cash	23
Non-current assets	
Property, plant and equipment	5
Current liabilities	
Accrued charges and other payables	(997)
	(866)

Goodwill arising on acquisition (determined on a provision basis)

	RMB'000
Consideration transferred	63,130
Less: recognised amount of identifiable net liabilities acquired	(866)
Goodwill arising on acquisition	63,996

Goodwill arose on the acquisition of Bold Champion because the acquisition included the assembled workforce of Bold Champion and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Net cash inflow arising on acquisition

	RMB'000
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	23

Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB5,947,000 attributable to Bold Champion. Revenue for the period including approximately RMB6,000,000 is attributable to Bold Champion.

Had the acquisition of Bold Champion been effected on 1 January 2011, the revenue of the Group from continuing operations for the six months ended 30 June 2011 would have been approximately RMB49,288,000, and the loss for the period from continuing operations would have been approximately RMB36,626,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Bold Champion been acquired on 1 January 2011, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipments at the date of the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS

The Group's key management personnel are all Directors. Their remuneration during the period are as follows:

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Fees	254	340
Salaries and other benefits	1,575	1,261
Retirement benefits scheme contributions	28	30
Share-based payments	3,951	181
	5,808	1,812
The following balance was outstanding at the end of the reporting period:		
Amount due from an associate	28,102	19,429
Amount due to a shareholder	932	–

The amount due from an associate and amount due to a shareholder were interest free, unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. COMPARATIVE INFORMATION

With reference to the acquisition of Precious Luck group in 2010, a goodwill arising from the acquisition was presented in the condensed consolidated financial statements of the Group for the six months ended 30 June 2010. The acquisition is treated as business combination. However, following 2010 annual audit, the acquisition of Precious Luck group is reconsidered as acquisition of asset and intangible assets instead of business combination. Details are set out in the notes 20 and 38 to the 2010 Annual Report.

The unaudited condensed consolidated results for the six months ended 30 June 2010 have been restated in respect of the accounting impact arising from the acquisition in order to conform with the Company's audited consolidated financial statements for the year ended 31 December 2010. Goodwill has been reclassified to intangible asset and approximately RMB17,008,000 of amortisation of intangible assets has been provided for the six months ended 30 June 2010.

	As at 30 June 2010 (Originally stated)	Adjustment	As at 30 June 2010 (Restated)
	RMB'000	RMB'000	RMB'000
Intangible asset	–	669,604	669,604
Goodwill	669,604	(669,604)	–
Cost of sales and services	3,427	17,008	20,435

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 June 2011, the Group recorded a substantial growth in turnover to RMB49,288,000, representing an increase of 1,318.0% as compared to the same period last year (six months ended 30 June 2010: loss of approximately RMB3,476,000). The loss for the period from continuing operations attributable to owners of the Company aggregated approximately RMB36,456,000 (six months ended 30 June 2010: loss of approximately RMB59,580,000), representing a decrease of approximately 38.8% as compared to the last corresponding period. The basic loss per share from continuing operations for the six months ended 30 June 2011 was RMB2.184 cents (six months ended 30 June 2010: basic loss per share RMB6.443 cents), representing a decrease of approximately 66.1% as compared to the last corresponding period.

BUSINESS REVIEW

China's advertising media business is expected to continue its rapid growth over the coming few years. During the six months ended 30 June 2011, the Group has embarked on the course of the advertising media business, which generated a tremendous improvement on the turnover. In the first half of the year 2011, the Group has revenue from the operation of outdoor advertising media on the external walls and roofs of renowned commercial buildings, roads and highway in Beijing and the advertising billboards located along Baojin Highway and Shihuang Highway in Heibei Province.

Other than billboards, the operation of the outdoor mega LED displays located along the Olympic Axis at the main venues of the Olympic Games in Beijing and the four new mega LED displays situated at the South Square of the Shanghai North Railway Station in Shanghai will also start in the second half of the year.

On the other hand, segmental turnover and loss of the securities division were approximately RMB20,303,000 and RMB1,305,000 respectively. The loss recorded was mainly due to the loss of disposal of financial assets at fair value through profit or loss for the six months ended 30 June 2011. In view of the volatility in the securities trading market, most of the securities held by the Company have been disposed of during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

Having established a steady growth in outdoor advertising business, the Group will embark into a second phase of development. Following the completion of the acquisition of 98% shareholding in 北京柯瑞環宇傳媒文化有限公司 ("Kery Media"), the Group continues to diversify its business by engaging in developing its cross-media platform. The acquisition of Kery Media will give the Group a greater involvement in the PRC media business and provide an excellent opportunity to generate better revenues and profits.

The Group will take an optimistic view in expanding the outdoor advertising business by expanding billboards or LED displays resources. Negotiations on operation of mega LED displays by the Group, through cooperation with Xinhua Media, take place from time to time. The Board is confident that the operation of outdoor mega LED displays will generate stable income for the Group and will continue to cooperate with prestigious business partners for the exploration of new business opportunities.

The Board will continue to seek other investment opportunities in media platform and to explore the feasibility of expansion into other advertising business with an aim to enhance the Group's profitability and the shareholders' value in the long run.

ADVANCE TO AN ENTITY

On 10 July 2009, Smart Century Investment Limited ("Smart Century"), a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK\$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading. For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

At 30 June 2011, the amount due from Apex One was approximately RMB28,102,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and the bank balances.

As at 30 June 2011, the Group had bank balances and cash of approximately RMB25,681,000 (at 31 December 2010: approximately RMB41,657,000).

As at 30 June 2011, the Group's net current assets totaled approximately RMB93,748,000 (at 31 December 2010: approximately RMB84,474,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's current ratio was approximately 11.88 times as at 30 June 2011 as compared with 4.30 times as at 31 December 2010.

GEARING RATIO

The gearing ratio of the Group (measured as total liabilities to total assets) was 11.83% as at 30 June 2011 (at 31 December 2010: 12.58%).

CAPITAL STRUCTURE

As at 30 June 2011, the Company's issued share capital was approximately HK\$173,043,577 and the number of its issued ordinary shares was 1,730,435,768 shares of HK\$0.10 each. Details of the movements in share capital of the Company are set out in note 14 of the notes to the condensed consolidated financial statements.

MATERIAL ACQUISITION AND DISPOSAL

On 11 February 2010, the Group entered into a sale and purchase agreement relating to the acquisition of 100% equity interests in Bold Champion and its subsidiary which holds 98% shareholding in Kery Media at an aggregate amount of HK\$74,000,000, of which HK\$10,000,000 was satisfied by way of cash and HK\$64,000,000 was satisfied by way of issuing 100,000,000 new shares in the Company. The acquisition was completed on 25 March 2011.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. During the six months ended 30 June 2011, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

CHARGE ON GROUP ASSETS

As at 30 June 2011 and 31 December 2010, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 June 2011 and 31 December 2010, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 June 2011, the Group did not have any material capital commitment (at 31 December 2010: HK\$10,000,000).

CONVERTIBLE LOAN NOTES

Details of convertible loan notes are set out in note 15 of the notes to the condensed consolidated financial statements.

WARRANTS

On 16 February 2011, the Company issued 120,000,000 warrants at a subscription price of HK\$0.05 per warrant (the "Warrant 1"). On 18 April 2011, the Company entered into a deed of cancellation to cancel the Warrant 1 due to the fact that the price of shares decreased after the completion of the subscription of the Warrant 1, resulting in a gap between the current share price and the warrant exercise price. The Company believed that the warrant holders are unlikely to exercise the subscription rights attaching to the Warrant 1 within a short period of time.

On 27 May 2011, an ordinary resolution was passed at the extraordinary general meeting of the Company to place, on a best effort basis, 170,000,000 warrants at a placing price of HK\$0.042 per warrant (the "Warrant 2"). However, there has been a general downturn in market sentiment for fund raising and daily trading volume on the Stock Exchange has been sluggish. The trading prices of shares are also suffered from a decrease in general. Given this, the placing of the Warrant 2 was not well received. The placing agent and the Company mutually agreed to terminate the placing agreement of the Warrant 2 on 30 June 2011.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2011, the Group had 54 employees (31 December 2010: 69 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB10,770,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB7,237,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the directors of the Company, the Company had adopted a share option scheme (the "Share Option Scheme"). As at 30 June 2011, there are 84,180,000 share options remained outstanding which can be exercised by the grantees of the Share Option Scheme.

We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

The Company operated the equity-settled Share Option Scheme on 31 October 2004 under which the Board might, at its discretion, offer any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive director), consultants, agents or legal and financial advisers to the Company or its subsidiaries whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

During the six months ended 30 June 2011, 36,800,000 share options were granted under the Share Option Scheme. Movements of share options for the six months ended 30 June 2011 under the Share Option Scheme is summarized as follows:

List of Grantees	Balance	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance	Exercise Price	Date of Grant	Exercise Period
	as at 1 January 2011					as at 30 June 2011			
<i>Directors</i>									
Mr. CHEN Fu Ju	19,520,000	-	-	(19,520,000)	-	-	1.27	08/10/2009	23/11/2009 - 22/11/2012
	-	17,300,000	-	-	-	17,300,000	0.58	02/06/2011	02/06/2011 - 01/06/2014
Mr. LI Qing	980,000	-	-	(980,000)	-	-	1.464	12/03/2010	12/03/2010 - 11/03/2013
	3,000,000	-	-	-	-	3,000,000	0.96	08/10/2010	08/10/2010 - 07/10/2013
	-	980,000	-	-	-	980,000	0.58	02/06/2011	02/06/2011 - 01/06/2014
Mr. YAN Dake	-	5,000,000	-	-	-	5,000,000	0.58	02/06/2011	02/06/2011 - 01/06/2014
Mr. LEUNG Siu Kee	460,000	-	-	(460,000)	-	-	1.464	12/03/2010	12/03/2010 - 11/03/2013
	500,000	-	-	-	-	500,000	0.96	08/10/2010	08/10/2010 - 07/10/2013
	-	460,000	-	-	-	460,000	0.58	02/06/2011	02/06/2011 - 01/06/2014
Mr. LI Zhong	-	1,500,000	-	-	-	1,500,000	0.58	02/06/2011	02/06/2011 - 01/06/2014
Mr. ZHAO Yong	1,500,000	-	-	-	-	1,500,000	0.96	08/10/2010	08/10/2010 - 07/10/2013
Mr. LIU Yong Fei (retired on 27 May 2011)	16,520,000	-	-	-	-	16,520,000	1.27	08/10/2009	23/11/2009 - 22/11/2012
Mr. WU Xian (resigned on 27 May 2011)	400,000	-	-	-	-	400,000	1.27	08/10/2009	23/11/2009 - 22/11/2012
	60,000	-	-	-	-	60,000	1.464	12/03/2010	12/03/2010 - 11/03/2013
	500,000	-	-	-	-	500,000	0.96	08/10/2010	08/10/2010 - 07/10/2013

MANAGEMENT DISCUSSION AND ANALYSIS

List of Grantees	Balance as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance as at 30 June 2011	Exercise Price HK\$	Date of Grant	Exercise Period
Employees									
In aggregate	1,700,000	-	-	(600,000)	(1,000,000)	100,000	1.80	04/02/2010	04/02/2010 – 03/02/2013
	4,800,000	-	-	(4,300,000)	-	500,000	1.464	12/03/2010	12/03/2010 – 11/03/2013
	24,500,000	-	-	-	(200,000)	24,300,000	0.96	08/10/2010	08/10/2010 – 07/10/2013
	-	4,600,000	-	-	-	4,600,000	0.85	06/01/2011	06/01/2011 – 05/01/2014
	-	5,960,000	-	-	-	5,960,000	0.58	02/06/2011	02/06/2011 – 01/06/2014
Consultants									
In aggregate	900,000	-	-	(900,000)	-	-	1.464	12/03/2010	12/03/2010 – 11/03/2013
	-	1,000,000	-	-	-	1,000,000	0.58	02/06/2011	02/06/2011 – 01/06/2014
	75,340,000	36,800,000	-	(26,760,000)	(1,200,000)	84,180,000			

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

MANAGEMENT DISCUSSION AND ANALYSIS

Long position in the Company:

Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate interests	Approximate percentage of the issued share capital
Mr. CHEN Fu Ju	Beneficial owner	2,936,000	17,300,000	20,236,000	1.17%
Mr. LI Qing	Beneficial owner	2,432,000	3,980,000	6,412,000	0.37%
Mr. YAN Dake	Beneficial owner	–	5,000,000	5,000,000	0.29%
Ms. NG Siu Lai	Held by controlled corporation	161,687,861 (Note)	–	161,687,861	9.34%
Mr. LEUNG Siu Kee	Beneficial owner	–	960,000	960,000	0.06%
Mr. LI Zhong	Beneficial owner	–	1,500,000	1,500,000	0.09%
Mr. ZHAO Yong	Beneficial owner	–	1,500,000	1,500,000	0.09%
Mr. LIU Yong Fei (retired on 27 May 2011)	Beneficial owner	3,000,000	16,520,000	19,520,000	1.13%
Mr. WU Xian (resigned on 27 May 2011)	Beneficial owner	–	960,000	960,000	0.06%

Note: These shares are held by Perfect Will Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Ng Siu Lai.

Save as disclosed above, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above sections headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" and "Share Option Scheme", at no time during the six months ended 30 June 2011 was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or the Company's members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the following persons (other than Directors or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	No. of ordinary shares/ underlying shares in the Company	Aggregate interests	Approximate percentage of the issued share in the Company
Rotaland Limited (Note 1)	Beneficial owner	449,139,306	449,139,306	25.96%
Mr. Ho Wai Kong ("Mr. Ho")	Held by controlled corporation (Note 1)	450,639,306	500,639,306	28.93%
	Held by spouse (Note 1)	50,000,000		
Ascher Group Limited (Note 2)	Beneficial owner	211,728,323	211,728,323	12.24%
Mr. Lu Xing ("Mr. Lu")	Beneficial owner	50,000,000	261,728,323	15.12%
	Held by controlled corporation (Notes 2 and 3)	211,728,323		
Perfect Will Limited	Beneficial owner (Note 4)	161,687,861	161,687,861	9.34%
Charmainder Enterprises Limited	Beneficial owner	97,291,907	97,291,907	5.62%
Ms. Cheung Man	Held by controlled corporation (Note 5)	97,291,907	97,291,907	5.62%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. *Among the 500,639,306 shares, 449,139,306 shares are held by Rotaland Limited, which consist of convertible loan notes of an aggregate amount of HK\$107,920,500 which can be converted into 207,939,306 shares; 1,500,000 shares are held by Similan Limited, which is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho. Rotaland Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho. 50,000,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.*
2. *These 211,728,323 shares consist of convertible loan notes of an aggregate amount of HK\$42,417,000 which can be converted into 81,728,323 shares.*
3. *Ascher Group Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.*
4. *Perfect Will Limited is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Ng Siu Lai, the non-executive Director.*
5. *Charmainder Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Ms. Cheung Man.*

Save as disclosed above, as at 30 June 2011, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2011, the Company has applied and complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules except the following deviations:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2011, the Company did not have a chairman or a chief executive officer. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the posts as appropriate.

According to the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term of service. Except for Mr. Chow Shiu Ki, the independent non-executive Director appointed in January 2008 and resigned in May 2011, was not appointed for a specific term, the other three independent non-executive Directors, namely Mr. Leung Siu Kee, Mr. Li Zhong and Mr. Zhao Yong were appointed for a three-year term of service. All the independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

COMPLIANCE WITH MODEL CODE

During the six months ended 30 June 2011, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by its Directors. The Company had made specific enquiries of all Directors, and the Company was not aware of any non-compliance with the required standard in the Model Code.

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

Save as the issue of 100,000,000 consideration shares as described under the section "Material Acquisition and Disposal", neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2011.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors during the six months ended 30 June 2011 are as follows:

- (1) Mr. Li Zhong, an independent non-executive Director, was appointed as the chairman of the nomination committee and a member of the remuneration committee of the Company with effect on 27 May 2011.
- (2) Mr. Chen Fu Ju, an executive Director, was appointed as an authorized representative of the Company under Rule 3.05 of the Listing Rules on 27 May 2011.
- (3) Mr. Leung Siu Kee, the independent non-executive Directors, has ceased to be the member of Beta Gamma Sigma.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of three independent non-executive Directors, namely, Mr. Leung Siu Kee, Mr. Li Zhong and Mr. Zhao Yong. The unaudited financial interim results and the interim report of the Group for the six months ended 30 June 2011 have been reviewed by the Audit Committee.

By Order of the Board
China Oriental Culture Group Limited
Chen Fu Ju
Executive Director

Hong Kong, 31 August 2011

As at the date of this report, the Board comprises Mr. Chen Fu Ju, Mr. Li Qing and Mr. Yan Dake as executive Directors; Ms. Ng Siu Lai as non-executive Director; and Mr. Leung Siu Kee, Mr. Zhao Yong and Mr. Li Zhong as independent non-executive Directors.