



National Investments
NATIONAL INVESTMENTS FUND LIMITED

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)

2012 Interim Report



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wong Danny F. (*Chairman*)
Mr. Wu Tse Wai, Frederick
(*Chief Executive Officer*)
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen
Mr. Liu Jin
Mr. Lui Tin Nang
(Resigned on 13 January 2012)
Mr. Wong Sin Lai

AUDIT COMMITTEE

Mr. Wong Sin Lai (*Chairman*)
(Appointed on 13 January 2012)
Mr. Lui Tin Nang (*Chairman*)
(Resigned on 13 January 2012)
Mr. Char Shik Ngor, Stephen
Mr. Liu Jin

REMUNERATION COMMITTEE

Mr. Liu Jin (*Chairman*)
Ms. Yang XiaoFeng
Mr. Lui Tin Nang
(Resigned on 13 January 2012)
Mr. Wong Sin Lai
(Appointed on 13 January 2012)

NOMINATION COMMITTEE

Mr. Char Shik Ngor, Stephen
(*Chairman*)
Mr. Liu Jin
Mr. Wong Sin Lai

COMPANY SECRETARY

Ms. Shum Ching Yee, Jennifer

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Wing Hang Bank, Limited
Industrial and Commercial Bank of
China (Asia) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Suite 1401, 14th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

CU Investment Management Limited

CUSTODIAN

Bank of Communications Trustee Limited
1st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

WEBSITE

www.nif-hk.com



MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of National Investments Fund Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2012. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

BUSINESS REVIEW AND PROSPECTS

As at 30 June 2012, investment portfolio of the Group consisted of listed securities with market value of HK\$73,551,000 (31 December 2011: HK\$44,617,000) and unlisted investments with fair value of HK\$61,461,000 (31 December 2011: HK\$59,862,000).

For the six months ended 30 June 2012, the Group recorded a net loss of HK\$26,821,000 (for the six months ended 30 June 2011: HK\$135,175,000) and this was mainly attributable to the unrealised loss on financial assets at fair value through profit or loss of HK\$12,982,000 (for the six months ended 30 June 2011: HK\$104,872,000).

During the interim period, the capital reorganization of the Company was effected by way of share consolidation, capital reduction and share subdivision pursuant to which every ten issued and unissued share of HK\$0.05 each in the share capital of the Company was consolidated into one consolidated share of HK\$0.50 (the “Share Consolidation”). The par value of the each of the issued consolidated shares was reduced from HK\$0.50 to HK\$0.01 each (the “Capital Reduction”) by cancelling the paid-up capital to the extent of HK\$0.49 per issued consolidated share. Each authorized but unissued consolidated share was sub-divided into fifty new shares with a par value of HK\$0.01 each (the “Share Subdivision”). The Share Consolidation, Capital Reduction and Share Subdivision give greater flexibility to the Company in future fund raisings, to accommodate future expansion and growth of the Company and the amount of the share capital reduction was used to offset the accumulated losses of the Company.

Looking ahead, the global economic environment will still be challenging due to the Euro zone sovereign debt crises and concern over the slowdown of economy in the U.S. and Europe. It is also expected that the momentum of economic growth in PRC will also slow down. The Group will continue to seek opportunistic investments in the public and private equities markets that fit our investment policy and strategy. The Group will also implement a diversified strategy aimed at identifying suitable investment opportunities and bring about better return for our shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had retained cash of HK\$4,052,000 (31 December 2011: HK\$59,133,000). As most of the retained cash was placed in Hong Kong Dollars with the Bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Group had net current assets of HK\$83,237,000 (31 December 2011: HK\$112,416,000) and no borrowings or long-term liabilities as at 30 June 2012. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2012, was 0.81% (31 December 2011: 0.51%).

EMPLOYEES

As at 30 June 2012, the Group had 17 (31 December 2011: 19) employees, including executive directors, non-executive director and independent non-executive directors. Total staff costs for the interim period amounted to HK\$4,390,000 (for the six months ended 30 June 2011: HK\$4,803,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests or short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which 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 ("Model Code"), were as follows:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of directors	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest in controlled corporation	Long Position	51,460,520 (Note 1)	27.93%
	Beneficial owner	Long Position	137,840 (Note 2)	0.07%
Mr. Wu Tse Wai, Frederick	Beneficial owner	Long Position	137,840 (Note 2)	0.07%
Mr. Fong Chi Wah	Beneficial owner	Long Position	137,840 (Note 2)	0.07%
Ms. Yang XiaoFeng	Beneficial owner	Long Position	137,840 (Note 2)	0.07%
Mr. Char Shik Ngor, Stephen	Beneficial owner	Long Position	137,840 (Note 2)	0.07%
Mr. Liu Jin	Beneficial owner	Long Position	137,840 (Note 2)	0.07%
Mr. Wong Sin Lai	Beneficial owner	Long Position	116,000 (Note 2)	0.06%

OTHER INFORMATION

Notes:

1. As at 30 June 2012, 51,460,520 ordinary shares of the Company represent the aggregate of 48,980,520 ordinary shares and 2,480,000 CN warrants expiring on 13 July 2012, with an exercise price of HK\$2.50 each for one ordinary share, are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.. The subscription rights under the 2,480,000 CN warrants had not been exercised and had been expired after 13 July 2012.
2. These shares are derived from the interest in share options granted by the Company to these directors respectively, details of which are set out in the section headed “INTERESTS IN SHARE OPTIONS” below.

Save as disclosed above, none of the directors, chief executive or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under “Interests in Share Options” below, at no time during the period was the Company a party to any arrangements to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in or debentures of the Company or any associated corporations.

INTERESTS IN SHARE OPTIONS

A share option scheme was adopted by the Company on 27 August 2007 (the “Share Option Scheme”) to enable the Company to grant share options to eligible participants, including the Directors and employees of the Company, as incentive or rewards for their contribution to the Company. On 10 February 2011, an extraordinary general meeting of the Company was convened and the Shareholders of the Company approved to refresh the General Scheme Limit at the extraordinary general meeting which allows the Company to grant share options entitling holders thereof to subscribe for a maximum of 118,550,087 shares, representing 10% of the issued share capital of the Company as at the date of the extraordinary general meeting. On 18 April 2011, a total of 116,700,000 share options were granted to the Directors of the Company and other eligible participants pursuant to the Share Option Scheme. As a result of the Share Consolidation Capital Reduction and Share Subdivision becoming effective on 27 March 2012 and in accordance with the terms of the Share Option Scheme, the exercise price and the number of new

OTHER INFORMATION

shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options have been adjusted. The following table discloses the movement in the Company's share options under the Share Option Scheme during the six months ended 30 June 2012:

Name or category of participants	Number of share options						Date of grant	Exercise price at 1 January 2012 (HK\$)	*Exercise price at 30 June 2012 (HK\$)	Exercisable period	
	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Reclassified during the period	Adjustments during the period					*Outstanding at 30 June 2012
Directors											
Mr. Wong Danny F.	218,400	—	—	—	—	(196,560)	21,840	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Mr. Wu Tse Wai, Frederick	218,400	—	—	—	—	(195,560)	21,840	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Mr. Fong Chi Wah	218,400	—	—	—	—	(196,560)	21,840	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Ms. Yang Xiaofeng	218,400	—	—	—	—	(196,560)	21,840	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Mr. Char Shik Ngor, Stephen	218,400	—	—	—	—	(196,560)	21,840	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Mr. Liu Jin	218,400	—	—	—	—	(196,560)	21,840	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Mr. Lui Tin Nang (Note 2)	1,160,000	—	—	—	(1,160,000)	—	—	—	—	—	—
Mr. Wong Sin Lai	1,160,000	—	—	—	—	(1,044,000)	116,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Resigned directors (Note 2)	436,800	—	—	—	—	(393,120)	43,680	28 Nov 2007	1.900	19.00	28 Nov 2007 to 26 Aug 2017 (Note 1)
	—	—	—	—	1,160,000	(1,044,000)	116,000	18 April 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Employees	33,270,000	—	—	—	—	(29,943,000)	3,327,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Other eligible participants	74,150,000	—	—	—	—	(66,735,000)	7,415,000	18 Apr 2011	0.189	1.89	18 Apr 2011 to 26 Aug 2017
Total	118,447,200	—	—	—	—	(106,602,480)	11,844,720				

OTHER INFORMATION

Note:

1. In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.
 2. On 13 January 2012, Mr. Lui Tin Nang has resigned as independent non-executive director of the Company. The share options held by Mr. Lui Tin Nang was then reclassified as share options held by resigned directors.
- * Pursuant to the terms of the Share Option Scheme, the exercise price and the number of new shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options were adjusted to reflect the effective of the Share consolidation, Capital Reduction and Share Subdivision on 27 March 2012.

Save as disclosed above, none of the Company's directors and chief executive, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 June 2012.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2012, so far as is known to the directors, the following persons (other than the directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
CCM Asia Investment Corporation (Note)	Beneficial owner	Long position	51,460,520	27.93%
Ms. Qiu Jing	Beneficial owner	Long position	18,200,000	9.88%

Note: Mr. Wong Danny F., an executive director and the chairman of the Company, is the sole shareholder of CCM Financial Corporation which in turn is the sole shareholder of CCM Asia Investment Corporation.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 June 2012.



OTHER INFORMATION

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

During the six months ended 30 June 2012, the Company has not purchased, sold nor redeemed any of its listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company was committed to maintain high level of corporate governance and has steered its development and protected the interests of shareholders in an enlightened and open manner.

As at 30 June 2012, the Board comprises three executive directors, one non-executive director and three independent non-executive directors. The Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange during the six months ended 30 June 2012, with deviation from Code Provision E.1.2.

Code Provision E.1.2

According to Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. In respect of the annual general meeting held on 4 May 2012, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. After having made specific enquiries of all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the Group's unaudited interim financial statements for the six months ended 30 June 2012.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	5,899	3,663
Interests in an associate		5,628	5,944
Available-for-sale financial assets	4	58,942	54,451
Conversion option embedded in convertible notes		—	—
		70,469	64,058
Current assets			
Available-for-sale financial assets	4	2,519	5,411
Financial assets at fair value through profit or loss	5	73,551	44,617
Prepayments, deposits and other receivables		4,364	4,157
Cash and bank balances		4,052	59,133
		84,486	113,318
Total assets		154,955	177,376
EQUITY			
Capital and reserves attributable to owners of the Company:			
Share capital	6	1,843	92,133
Reserves		151,863	84,341
Total equity		153,706	176,474
LIABILITIES			
Current liabilities			
Accrued charges and other payable		1,249	902
Total liabilities		1,249	902
Total equity and liabilities		154,955	177,376
Net current assets		83,237	112,416
Total assets less current liabilities		153,706	176,474

Approved by the Board of Directors on 24 August 2012 and signed on its behalf by:

Wong Danny F.
Chairman

Wu Tse Wai, Frederick
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	7	(11,805)	(111,180)
Change in fair value of conversion options embedded in convertible notes		—	(1,770)
Impairment loss on available-for-sales financial assets		(3,413)	—
Other operating expenses		(11,502)	(17,358)
Share of result of an associate		(101)	—
Share of result of a jointly controlled entity		—	(4,867)
Loss before income tax		(26,821)	(135,175)
Income tax expense	9	—	—
Loss for the period	10	(26,821)	(135,175)
Other comprehensive income			
Exchange differences arising on translation		—	120
Share of changes in other comprehensive loss in an associate		(214)	—
Change in fair value of available-for-sale financial assets		4,350	2,926
Reclassification relating to impairment of available-for-sale financial assets		412	—
Other comprehensive income for the period, net of income tax		4,548	3,046
Total comprehensive loss for the period		(22,273)	(132,129)
Loss for the period attributable to:			
Owners of the Company		(26,821)	(135,175)
Total comprehensive loss attributable to:			
Owners of the Company		(22,273)	(132,129)
			(Restated)
Loss per share:	12		
Basic, in HK cents		(14.56)	(100.86)
Diluted, in HK cents		(14.56)	(100.86)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital HK\$ '000	Share premium HK\$ '000	Exchange reserve HK\$ '000	Share option reserve HK\$ '000	Warrants reserve HK\$ '000	Available-for-sale financial assets equity reserve HK\$ '000	Accumulated losses HK\$ '000	Total equity HK\$ '000
Balance at 1 January 2011 (Audited)	59,278	270,860	—	921	23,073	(4,733)	(48,202)	301,197
Other comprehensive income for the period	—	—	120	—	—	2,926	—	3,046
Loss for the period	—	—	—	—	—	—	(135,175)	(135,175)
Total comprehensive income/(loss) for the period	—	—	120	—	—	2,926	(135,175)	(132,129)
Recognition of equity settled share-based payment	—	—	—	3,638	—	—	—	3,638
Issued of shares	17,500	31,850	—	—	—	—	—	49,350
Share issuing expenses	—	(1,917)	—	—	—	—	—	(1,917)
Issue of warrants	—	—	—	—	359	—	—	359
Warrants issuing expenses	—	—	—	—	(270)	—	—	(270)
Balance at 30 June 2011 (Unaudited)	76,778	300,793	120	4,559	23,162	(1,807)	(183,377)	220,228

	Share capital HK\$ '000	Share premium HK\$ '000	Exchange reserve HK\$ '000	Share option reserve HK\$ '000	Warrants reserve HK\$ '000	Available-for-sale financial assets equity reserve HK\$ '000	Accumulated losses HK\$ '000	Total equity HK\$ '000
Balance at 1 January 2012 (Audited)	92,133	301,921	11	4,558	23,162	(11,641)	(233,670)	176,474
Other comprehensive income/(loss) for the period	—	—	(214)	—	—	4,762	—	4,548
Loss for the period	—	—	—	—	—	—	(26,821)	(26,821)
Total comprehensive income/(loss) for the period	—	—	(214)	—	—	4,762	(26,821)	(22,273)
Capital reorganisation	(90,290)	—	—	—	—	—	90,290	—
Expenses on capital reorganisation	—	(495)	—	—	—	—	—	(495)
Balance at 30 June 2012 (Unaudited)	1,843	301,426	(203)	4,558	23,162	(6,879)	(170,201)	153,706

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(51,772)	20,780
Net cash outflow from investing activities	(3,309)	(79,217)
Net cash inflow from financing activities	—	47,522
Net decrease in cash and cash equivalents	(55,081)	(10,915)
Cash and cash equivalents at the beginning of the period	59,133	27,991
Cash and cash equivalents at the end of the period	4,052	17,076
Analysis of cash and cash equivalents:		
Cash and bank balance	4,052	17,076



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 27 September 2002.

Principal activities of the Company and its subsidiaries (the “Group”) include the investments in listed and unlisted financial instruments.

This condensed consolidated interim financial statements has not been audited.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited 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 Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2012, the significant judgement in applying accounting policies and the key sources of accounting estimates used in the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2011. The directors anticipate that the application of these new and revised HKFRSs do not have material impact on the unaudited condensed consolidated interim financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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

The Group has not yet early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group is in the process of assessing the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired and disposed property, plant and equipment at the amount of approximately HK\$3,309,000 (for the six months ended 30 June 2011: approximately HK\$17,000) and HK\$2,001,000 (for the six months ended 30 June 2011: Nil) respectively.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The following is a list of available-for-sale financial assets as at 30 June 2012 and 31 December 2011:

Name of equity/debt securities	Proportion of share capital owned (%)	Net assets attributable to the Group as at 30 June 2012 HK\$ '000	Cost of investment HK\$ '000	Fair value as at 30 June 2012 (Unaudited) HK\$ '000	Fair value as at 31 December 2011 (Audited) HK\$ '000
Equity securities issued by:					
— Cordoba Homes Limited (“Cordoba”)	N/A	N/A	24,600	—	20,822
— Hennabun Capital Group Limited (“HCG”)	N/A	N/A	24,600	—	20,959
— HEC Capital Limited (“HEC”)	1.24	67,457	49,283	44,090	—
Convertible note issued by Premium Castle Limited (“Premium Castle”)	N/A	N/A	17,000	14,852	12,670
Convertible note issued by Unismart Investment Limited (“Unismart”)*	N/A	N/A	6,000	2,519	5,411
Total				61,461	59,862

* The convertible bond was issued by Unismart (“Unismart Convertible Bond”) will be matured on 20 October 2012 is classified under current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. AVAILIABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes:

- (i) Cordoba and its subsidiaries are principally engaged in investment holding, loan financing, trading of investments and properties investment. The cost of investment was HK\$24,600,000. The Group held 1.08% equity interest of Cordoba and the net assets attributable to the Group was approximately of HK\$22,517,000 at 31 December 2011. No dividend was entitled to the Group during the six months ended 30 June 2012 and 2011.
- (ii) HCG and its subsidiaries are principally engaged in investment holding, money lending, trading of investments, securities brokerage, investment advisory and management. The cost of investment was HK\$24,600,000. The Group held 0.86% equity interest of HCG and the net assets attributable to the Group of approximately HK\$28,547,000 at 31 December 2011. No dividend was entitled to the Group during the six months ended 31 June 2012 and 2011.
- (iii) HEC is an exempted company incorporated in Cayman Islands with limited liability on 11 April 2012. It is principally engaged in investment holding. After forming the HEC, there was a capital reorganisation among HEC, Cordoba and HCG (“the Reorganisation”). During the Reorganisation, the Group received the same number of equity securities in HEC in exchange for the equity securities in Cordoba and HGC. The Reorganisation was completed on 30 April 2012. Immediate after the Reorganisation, the Group held 1.30% equity interest of HEC which directly and indirectly owned 100% equity interest of Cordoba and HCG respectively. No dividend was entitled to the Group during the six months ended 30 June 2012.
- (iv) Premium Castle and its subsidiaries are principally engaged in investment holding, securities brokerage and financial advisory. No dividend was entitled to the Group during the six months ended 30 June 2012 and 2011.
- (v) Unismart is principally engaged in investment holding. No dividend was entitled to the Group during the six months ended 30 June 2012 and 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

The following is the analysis of fair value change of available-for-sale financial assets for the six months ended 30 June 2012 and 2011:

Name of unlisted equity /debt securities	Change in fair value during the period ended	
	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Unlisted equity securities issued by:		
— Cordoba	8,166	(3,799)
— HCG	(664)	3,649
— HEC	(5,193)	N/A
Unlisted debt securities issued by:		
— Premium Castle	2,041	2,062
— Unismart (Note (i))	N/A	230
— Hugo Luxury Limited	N/A	784

There was no realised gain/(loss) on available-for-sale financial assets during the six months ended 30 June 2012 and 2011.

Note:

- (i) The Unismart Convertible Bond will be matured on 20 October 2012 with cost of investment of approximately HK\$6,000,000. The carrying value of Unismart Convertible Bond was approximately HK\$2,519,000 as at 30 June 2012. The directors considered the recoverability of the principal amount and accrued interest of Unismart Convertible Bond is very low with reference to the current performance of Unismart and other relevant market information. The Group recognised an impairment loss of approximately HK\$3,414,000 in profit or loss. The cumulative loss on Unismart Convertible Bond was previously recognised in the available-for-sale financial assets equity reserve was reclassified to profit or loss of approximately HK\$412,000 is included in the impairment loss.
- (ii) During the year ended 31 December 2011, the convertible bond issued by Eiuoo Pte Ltd in 2008 was matured on 9 November 2011, with cost of investment of approximately HK\$4,000,000. The accumulated loss recognised in previous years was approximately HK\$3,707,000. The Group recognised an impairment loss of approximately HK\$293,000 in profit or loss. No carrying value as at 31 December 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	73,551	44,617

The following is a list of the held-for-trading investments as at 30 June 2012:

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company		Fair value HK\$'000	Change in fair value HK\$'000
				Interest held (%)	Cost of investment HK\$'000		
Radford Capital Investment Limited	Cayman Islands, limited liability company	4,000,000 ordinary shares	0.3305	580	912	364	(548)
Mascotte Holdings Limited	Bermuda, limited liability company	2,968,750 ordinary shares	0.8668	10,629	10,830	698	(10,132)
Willie International Holdings Limited	Bermuda, limited liability company	440,000 ordinary shares	0.0526	943	85	33	(52)
Freeman Financial Corporation Limited	Cayman Islands, limited liability company	18,000,000 ordinary shares	0.4896	9,476	2,970	576	(2,394)
New Island Printing Holdings Limited	Bermuda, limited liability company	112,404,000 ordinary shares	4.2173	20,760	29,225	25,965	(3,260)
Heritage International Holdings Limited	Bermuda, limited liability company	300,000 ordinary shares	0.0038	39	39	28	(11)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Equity securities listed in Hong Kong: (Continued)

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company HK\$'000	Cost of investment HK\$'000	Fair value HK\$'000	Change in fair value HK\$'000
Forefront Group Limited	Cayman Islands, limited liability company	5,500,000 ordinary shares	0.1368	1,240	556	396	(160)
CNOOC Limited	Hong Kong, limited liability company	250,000 ordinary shares	0.0006	1,797	4,307	3,850	(457)
Huili Resources (Group) Limited	Cayman Islands, limited liability company	19,300,000 ordinary shares	1.9300	3,495	33,141	38,021	4,880
China Merchants Bank Co., Ltd	The People's Republic of China, limited liability company	250,000 ordinary shares	0.0012	2,579	4,468	3,620	(848)

A brief description of the business and financial information of the above listed equity securities, based on their latest financial statements, is as follows:

- (i) Radford Capital Investment Limited is principally engaged in investment in listed and unlisted companies in Hong Kong and overseas market.

The audited net loss attributable to the owners of Radford Capital Investment Limited for the year ended 31 December 2011 was approximately HK\$213,916,000.

- (ii) Mascotte Holdings Limited is principally engaged in loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The audited net loss attributable to the owners of Mascotte Holdings Limited for the year ended 31 March 2012 was approximately HK\$621,254,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (iii) Willie International Holdings Limited is principally engaged in investment holding, trading of investments, property investment, provision of financial services and acquisition, exploration and development of natural resources.

The audited net loss attributable to the owners of Willie International Holdings Limited for the year ended 31 December 2011 was approximately HK\$552,298,000.

- (iv) Freeman Financial Corporation Limited is principally engaged in trading of securities, provision for finance, property holding and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding.

The audited net loss attributable to the owners of Freeman Financial Corporation Limited for the year ended 31 March 2012 was approximately HK\$639,172,000.

- (v) New Island Printing Holdings Limited is principally engaged in printing and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The audited net profit attributable to the owners of New Island Printing Holdings Limited for the year ended 31 March 2012 was approximately HK\$19,114,000.

- (vi) Heritage International Holdings Limited is principally engaged in property investment, securities investment, money lending, lottery business investment in the People's Republic of China and Chinese medicine clinic operations.

The audited net loss attributable to the owners of Heritage International Holdings Limited for the year ended 31 March 2012 was approximately HK\$368,077,000.

- (vii) Forefront Group Limited is principally engaged in trading of motor vehicle accessories, provision of logistic services in Hong Kong and the PRC, properties investments, securities trading and money lending business.

The unaudited net loss attributable to the owners of Forefront Group Limited for the six months ended 30 June 2012 was approximately HK\$86,508,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (viii) CNOOC Limited is principally engaged in the exploration, development, production and sale of oil and gas and other petroleum products.

The audited net profit attributable to the owners of CNOOC Limited for the year ended 31 December 2011 was approximately HK\$85,753,253,000. The Group was entitled dividend income of approximately HK\$63,000 during the six months ended 30 June 2012.

- (ix) Huili Resources (Group) Limited is principally engaged in the mining, processing and sales of nickel, copper, lead and zinc metal products in the People's Republic of China.

The audited net loss attributable to the owners of Huili Resources (Group) Limited for the year ended 31 December 2011 was approximately HK\$28,735,000.

- (x) China Merchants Bank Co., Ltd is principally engaged in the provision of banking and related financial services.

The unaudited net profit attributable to the owners of China Merchants Bank Co., Ltd for the six month ended 30 June 2012 was approximately HK\$28,693,631,000. The Group was entitled dividend income of approximately HK\$115,000 during the six months ended 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The following is the analysis of realised gain/(loss) of each held-to-trading investments for the six months ended 30 June 2012:

Name of equity securities	Selling price <i>HK\$'000</i>	Cost of investment <i>HK\$'000</i>	Realised gain/(loss) <i>HK\$'000</i>
Jiangxi Copper Company Limited	1,475	1,500	(25)
Bank of China Limited	871	878	(7)
China Merchants Bank Co., Ltd	1,557	1,606	(49)
CNOOC Limited	12,669	12,155	514
Aluminum Corporation of China Limited	2,990	2,888	102
Maanshan Iron & Steel Company Limited	3,515	3,823	(308)
CITIC Securities Company Limited	4,866	4,663	203

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6. SHARE CAPITAL

	Number of shares	Amount HK\$ '000
Authorised ordinary shares of HK\$0.01 (31 December 2011: HK\$0.05) each: At 31 December 2011 and 1 January 2012 (Audited)	4,000,000,000	200,000
Capital reorganisation (<i>Note</i>)	16,000,000,000	—
At 30 June 2012 (Unaudited)	20,000,000,000	200,000
Issued and fully paid ordinary shares of HK\$0.01 (2011: HK\$0.05) each: At 31 December 2011 and 1 January 2012 (Audited)	1,842,661,051	92,133
Capital reorganisation (<i>Note</i>)	(1,658,394,946)	(90,290)
At 30 June 2012 (Unaudited)	184,266,105	1,843

Note:

On 27 March 2012, a capital reorganisation (the “Capital Reorganisation”) became effective in which every ten issued and unissued share of HK\$0.05 each in the share capital of the Company was consolidated (the “Share Consolidation”) into one consolidated share of HK\$0.50 (the “Consolidated Share”). Following the Share Consolidation, the issued and paid up share capital of the Company was reduced (the “Capital Reduction”) by cancelling the paid-up capital to the extent of HK\$0.49 on each Consolidated Share in issue so that each issued Consolidated Share of HK\$0.50 each of the Company be treated as one fully paid-up share of HK\$0.01 par value each (“New Share(s)”) in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company. Immediately following the Capital Reduction, each authorised but unissued share of the Company of par value of HK\$0.50 each was sub-divided into fifty New Shares of par value of HK\$0.01 each (“Share Subdivision”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

7. REVENUE

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net loss on financial assets at fair value through profit or loss (<i>Note</i>)	(12,552)	(112,952)
Bank interest income	1	1
Dividend income from financial assets at fair value through profit or loss	178	—
Interest income from available-for-sale financial assets	568	1,771
	(11,805)	(111,180)

Note:

Net loss on financial assets at fair value through profit or loss represented:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Proceeds on sales	27,943	77,710
Less: cost of sales	(27,513)	(85,790)
Net realised profit/(loss) on financial assets at fair value through profit or loss	430	(8,080)
Net unrealised loss on financial assets at fair value through profit or loss	(12,982)	(104,872)
Net loss on financial assets at fair value through profit or loss	(12,552)	(112,952)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8. SEGMENT INFORMATION

The Group currently operates in one business segment as all of the Group's revenue was derived from investment income from investments in listed securities and unlisted securities mainly in Hong Kong. A single management team reported to the chief operating decision makers who comprehensively manage the entire business. In addition, all the Group's non-current assets are located in the Hong Kong. Accordingly, the Group does not have separately reportable segment.

No single customer of the Group contributed 10% or more to the Group's revenue for both periods.

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 2012 and 2011 as the Group had no assessable profits.

10. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	858	652
Directors' emoluments	1,973	1,194
Total staff costs, excluding directors' emoluments	2,417	3,609
Equity settled share-based payment	—	3,638
Operating lease rental in respect of land and building	1,692	737
Impairment loss on other receivables	509	760
Legal and professional fee	36	118

11. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(26,821)	(135,175)
	<i>'000</i>	<i>'000</i> (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of diluted loss per share	184,266	134,025

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$26,821,000 (for the six months ended 30 June 2012: loss of approximately HK\$26,821,000) and on the weighted average number of ordinary shares of approximately 184,266,000 (for the six months ended 30 June 2011 (restated): approximately 134,025,000) during the period.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2012 and 2011 have been adjusted for the effect of Share Consolidation completed on 27 March 2012.

During the six months ended 30 June 2012 and 2011, the Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

13. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2012, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Investment management fee to a related party (a)	—	148
Consultancy fee to a related party (a)	199	51
Expense to a jointly controlled entity (b)	—	442
Interest income from a related party (c)	170	269
	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Available-for-sales financial assets issued by a related party (c)	14,852	12,670
Interest receivable from a related party (included in other receivables)	772	602

Notes:

- (a) Beijing Capital Partners Limited is the related company of the Company. Mr. Wu Tse Wai, Fredrick is the director of the Company and Beijing Capital Partners Limited. The investment management fee was carried out in accordance with the terms of the investment management agreement entered into by the Company and Beijing Capital Partners Limited. On 16 May 2011, the Company and Beijing Capital Partners Limited has mutually agreed to terminate the investment management agreement. Beijing Capital Partners Limited has switched from providing investment management service to consultancy services since 27 May 2011.
- (b) The jointly controlled entity is New Sakai Hong Kong Limited and Mr. Wong Danny F. is the director of the Company and New Sakai Hong Kong Limited.
- (c) Mr. Wong Danny F. is the director of the Company and Premium Castle.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

13. RELATED PARTY TRANSACTIONS (Continued)

Key management compensation

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	1,973	1,182
Employer's contribution to pension scheme	12	12
Equity settled shared-based payment	—	289
	1,985	1,483

14. COMMITMENTS

Operating lease commitments

As lessee:

At the end of the reporting period, the total future minimum lease payments under non cancellable operating leases of the Group are repayable as follows:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Within one year	5,502	1,141
After one year but within five years	10,094	—
	15,596	1,141

At the end of the reporting period, the Group did not have any material capital commitments. (31 December 2011: Nil).

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the end of the reporting period (31 December 2011: Nil).

16. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved by the Board of Directors on 24 August 2012.