



北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

Interim Report

2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHOU Si (*Chairman*)
Mr. ANG Keng Lam (*Vice Chairman*)
Mr. YU Li (*Vice Chairman*)
Mr. QIAN Xu (*Chief Executive Officer*)
Mr. SIU Kin Wai (*Chief Financial Officer*)
Mr. XU Taiyan
Mr. JIANG Xinhao
Ms. MENG Fang
Mr. YU Luning
Mr. LIU Xueheng

Non-Executive Director

Mr. LIN Chun Kuei (resigned on 27 June 2012)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang
Mr. James CHAN

AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew (*Chairman*)
Mr. GOH Gen Cheung
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang
Mr. James CHAN

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. ANG Keng Lam (*Chairman*)
Mr. QIAN Xu
Mr. JIANG Xinhao
Ms. MENG Fang
Mr. SIU Kin Wai
Mr. YU Luning
Mr. LIU Xueheng
Mr. ZHU Wuxiang

NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto (*Chairman*)
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. QIAN Xu
Mr. YU Luning
Ms. MENG Fang
Mr. James CHAN

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung (*Chairman*)
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. YU Luning
Mr. James CHAN

COMPANY SECRETARY

Mr. SIU Kin Wai

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

STOCK CODE

925

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2511 6016
Tel: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young

WEBSITE

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PRINCIPAL BANKERS

Citic Bank International Limited
Bank of China (Hong Kong) Limited
DBS Bank Ltd, Hong Kong Branch
Dah Sing Bank, Ltd
Shanghai Pudong Development Bank Co. Ltd.
Beijing Chaoyang Sub-branch

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Following the disposal of the Group's entire interest in New Radiant Investments Limited ("New Radiant") on 31 May 2012, the Group discontinued the business of outdoor gardening products and indoor lifestyle products (the "Gardening Business"), which represents the Group's completion of change of core business from Gardening Business to properties business and logistics business.

As mentioned in our reports previously, the Group is following the mentality of "Professionally-devoted, Multi-functional and Dual-driven" to develop ourselves as one of the top two leaders in PRC in investment, development and operation of logistics infrastructures within the Twelfth Five-Year Plan.

Logistics Business

北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd., "BIPL")

BIPL is the joint venture formed in 2011, which principally operated as the investor, developer and operator of the Majuqiao Logistics Base. It is held as to 32% by New Concord Properties Limited, a wholly-owned subsidiary of the Company, 20% by Beijing Inland Port International Logistics Co., Ltd ("Lugang"), a 82.24% indirectly-owned subsidiary of the Company, and 24% each by subsidiaries of the Kerry Group and the Hutchison Group.

The registered capital and the total investment of BIPL amounted to RMB1 billion and RMB2 billion respectively. Currently, the progress of the project is following our proposed timetable. It is expected that the demolition, land acquisition procedures and the construction of the Majuqiao Logistics Base will be completed in fourth quarter of 2012, in first quarter of 2013 and in second quarter of 2014 respectively. The development costs so far are under control within the budget. Besides, the rental status is also encouraging that many branded merchants have already started the negotiations with terms of tenancy with BIPL at the beginning of the period and the results so far are all satisfactory. We expect that the occupancy rate of the Majuqiao Logistics Base will not be less than 90% upon its commencement of operation in late 2014.

Strategic Alliance with the Zeny Supply Chain Limited

In July 2012, the Company has entered into a non-legally binding strategic alliance agreement with Zeny Supply Chain Limited ("Zeny"). Zeny is a subsidiary of the Legend Holdings Limited and its principal activity is the investment and development of cold chain logistics networks in PRC. Pursuant to the agreement, the Group will fully cooperate with Zeny in the investment, development and operation of cold stores, with primary purpose to be the top leader of the industry in PRC. Projects in Wuhan, Xian, Xiamen, Chengdu and Changsha are currently under review but no agreements have been entered yet.

Apart from the above, we are also in process of discussing potential investments in Beijing and Tianjin. Appropriate announcement will be made to shareholders according to the Listing Rules when necessary but no legally binding agreement is signed up to the date of this report.

Properties Business

We will also participate in projects of residential and commercial properties when opportunities arise. The Owners' City is one of our successful example in 2011, however, the resources allocated to this segment will be less due to the continuous austerity measures imposed by the PRC government. Recently, we are planning for the development of our land held in Shenyang and we expect that the land will be ready for development in third quarter of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business prospect

The Company is still in process of setting up a reliable platform to contribute future profitability and value to our shareholders. The Board and the management will focus on all meticulously selected projects to ensure their maximum contribution to us.

The investment, development and operation of logistics infrastructures are money intensive and time-consuming, and the return is slower than residential properties. However, the return of which is very stable and growing due to increasing demand of modern logistics infrastructures in PRC. Given the expectation on appreciation of land value when land is becoming limited resources in PRC, we expect that the value of land and properties can effectively fight against depreciation in currency in the foreseeable future. We believe our business can successfully hedge the risks associated with the globally uncertain economy. Based on our strategy, the Group's business and internal legal and management structures have been reorganised into two major segments: namely "logistics business" covering our logistics infrastructures projects and "properties business" covering residential and commercial properties projects. We believe that the separation can enhance effective resources allocation of the Group as well as strengthen our competitiveness in both segments.

Following the completion of Majuqiao Logistics Base and other potential projects as mentioned before, our future investment return, operating cash flows and fund for reinvestment in new projects will be mainly generated by the rental income and value-added service income of our logistics infrastructures. Assuming no additional projects are acquired which can generate instant rental and service income to the Group, harvest of our investment in the logistics business is estimated to start in the fiscal year 2014. However, the management is trying their best to advance the harvest to an earlier stage by acquiring companies under operations at reasonable price and internal rate of return to us and the progress is satisfactory.

Simultaneously, we do not give up the properties business. Our meaning of less resource allocated to the business is limited to less participation in bidding and acquiring residential land due to continuous existence of uncertainties in the market as a result of the central government's austerity measures. We, alternatively, will carefully bid and acquire residential land and maintain a higher construction standard to develop quality properties. We believe quality is everything: quality can attract buyers willing to pay a reasonably higher price to purchase the properties, quality can cause higher priority to buyers' selection of our properties when competing with other players in the market and quality can reduce maintenance costs for properties held for sale during the severe period. Following the stable return from logistics business, the large but one-off profit and cash flows arise from development of residential projects can enable us to distribute a larger portion of profit to shareholders in future. Currently, the land acquired in Shenyang is in process of making a suitable development plan to achieve the abovementioned goal, we will follow the same goal to moderately expand our properties business when opportunity arises.

Now we have completely new business, but comparables of this mix of businesses are considered almost absent in the capital market of Hong Kong. Therefore, we encourage shareholders to pay more patience, understand more our new business and communicate more with our management to participate actively in our growth. We also promise to maintain a higher standard of transparency in communicating our business development to shareholders in future.

MANAGEMENT DISCUSSION AND ANALYSIS

2. FINANCIAL ANALYSIS

Due to the disposal of New Radiant and thus the operating results of the Gardening Business had been grouped together and was presented as discontinued operation in the condensed consolidated financial statements, the operating result for the six months ended 30 June 2011 (the "2011 Period") had also been restated.

2.1 Revenue

Revenue (net of business tax) from continuing operations for the six months ended 30 June 2012 (the "2012 Period") amounted to approximately HK\$6,781,000, representing the revenue recognised from (i) sale of properties of the Owners' City amounted to approximately HK\$2,867,000; and (ii) income from leasing of warehouses and fee from provision of logistics services of Lugang amounted to approximately HK\$3,914,000 during the period. The same revenues started their recognition in the second half of 2011 after, respectively, (i) the properties were started being handed over to purchasers; and (ii) the acquisition of Lugang was completed in November 2011, and so no revenue was shown for the corresponding 2011 Period.

2.2 Gain on disposal of a subsidiary

A gain of approximately HK\$35,272,000 was recognised from the disposal of Zenna Investments Limited, which is the holding company of the Owners' City, in the 2012 Period.

2.3 Other income and gains

Other income and gains from continuing operations was increased by approximately HK\$23,411,000, or 220.8%, from approximately HK\$10,603,000 of the 2011 Period to approximately HK\$34,014,000 of the 2012 Period. The increase was primarily due to: (i) increase in bank interest income of approximately HK\$12,723,000, from approximately HK\$10,603,000 of the 2011 Period to approximately HK\$23,326,000 of the 2012 Period due to better treasury measures imposed by the Group; and (ii) interest income of approximately HK\$10,663,000 received from the interest bearing advances made to BIPL.

2.4 Selling and distribution expenses

Selling and distribution expenses from continuing operations was decreased by approximately HK\$3,552,000, or 80.7%, from approximately HK\$4,401,000 of the 2011 Period to approximately HK\$849,000 of the 2012 Period. The selling and distribution expenses mainly represented the salaries and commission of salesmen of the Owners' City and the decrease in the 2012 Period was in line with the limited revenue recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

2.5 Administrative expenses

Included in the administrative expenses from continuing operations of the 2012 Period was an amount of approximately HK\$21,192,000, being the equity-settled share option expenses recognised for share options granted to employees and directors in the 2012 Period but no such expenses was recognised in the corresponding 2011 Period because no share options were granted.

If excluding this factor, the administrative expenses of the 2012 Period was increased by approximately HK\$13,759,000, or 73.5%, from approximately HK\$18,713,000 of the 2011 Period to approximately HK\$32,472,000 of the 2012 Period. The increase was mainly due to the acquisition of Lugang in November 2011. The administrative expenses of Lugang during the 2012 Period amounted to approximately HK\$10,208,000, which mainly included wages and salaries of approximately HK\$4,259,000, depreciation of approximately HK\$732,000 and amortisation of land lease payments of approximately HK\$3,038,000.

2.6 Other expenses

Other expenses from continuing operations of the 2012 Period included: (i) an amount of approximately HK\$21,881,000, being the equity-settled share option expenses recognised for share options granted to consultants in the 2012 Period; and (ii) an amount of approximately HK\$25,888,000 recognised as a loss on early redemption of convertible bonds in accordance with the applicable accounting standards in the 2012 Period. No such expenses was recognised in the corresponding 2011 Period because, respectively, no share options were granted and no convertible bonds were redeemed during that period.

2.7 Finance costs

Finance costs from continuing operations was increased by approximately HK\$3,606,000, or 16.3%, from approximately HK\$22,127,000 of the 2011 Period to approximately HK\$25,733,000 of the 2012 Period. The amount of the 2012 Period included: (i) imputed interest on convertible bonds of approximately HK\$19,687,000, which was decreased by approximately HK\$2,440,000, or 11%, from approximately HK\$22,127,000 of the 2011 Period and such decrease was in line with the decrease in outstanding amount of the convertible bonds due to the redemption during the period; and (ii) interest on bank loans of approximately HK\$6,046,000 which was incurred for the 2012 Period from bank loans of Lugang.

2.8 Share of losses of a jointly-controlled entity and an associate

It represented the share of loss of BIPL and Beijing Jingjin Port International Logistics Co., Ltd. ("Jingjin Port") for the 2012 Period. BIPL was incorporated in December 2011 and is a jointly-controlled entity of the Group. Jingjin Port was an associated company of Lugang and so its equity was also acquired by the Group since November 2011. Thus, no corresponding comparative figures were shown in the 2011 Period. The share of losses of BIPL and Jingjin Port by the Group for the 2012 Period amounted to approximately HK\$1,594,000 and HK\$399,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

2.9 Discontinued operation

It represented the results of the Gardening Business for the 2011 and 2012 Periods. For details please refer to note 8 to the condensed consolidation financial statements included in this report.

2.10 Liquidity and financial resources

As at 30 June 2012, the Group's cash and bank balances amounted to approximately HK\$2,320,878,000 (31 December 2011: approximately HK\$2,873,409,000), which was denominated in Renminbi and Hong Kong dollars. The cash balances will enable the Group to finance our business at the moment.

As at 30 June 2012, the Group had total borrowings (including bank and other borrowings and convertible bonds) of approximately HK\$1,644,536,000 (31 December 2011: approximately HK\$1,887,051,000). The Group's gearing ratio, which was defined as total borrowings as percentage of total assets, was approximately 52.6% (31 December 2011: approximately 46.5%).

As at 30 June 2012, the Group's current ratio and quick ratio were approximately 150.7% (31 December 2011: approximately 135.2%) and approximately 150.7% (31 December 2011: approximately 130.1%) respectively.

2.11 Capital expenditures

During the 2012 Period, the Group spent approximately HK\$6,473,000 (2011 Period: approximately HK\$236,000) as capital expenditures, which included acquisition of furniture, fixtures, equipment and spending on construction in progress.

FOREIGN EXCHANGE EXPOSURE

The Group did not engage in any hedging transactions related to foreign currencies. The Group's exposure to currency exchange rate is minimal as majority of the Group operates in the PRC with most of the transaction denominated and settled in Renminbi. It is expected that the high possibility appreciation of Renminbi will have a positive effect on the Group's financial condition. The Group will closely assess and monitor the movement of Renminbi exchange rate, and to consider hedging the relative exposure, if necessary.

CAPITAL COMMITMENTS

As at 30 June 2012, the Group's contracted capital commitments amounted to approximately RMB1,782,200,000 (equivalent to approximately HK\$2,187,545,000), which represented:

- (a) an amount of approximately RMB512,200,000 payable for the formation of BIPL, being the capital to be contributed into BIPL by the Group, calculated based on its registered capital of RMB1 billion. If counted by the total investment of RMB2 billion of BIPL, the total capital commitment of the Group in respect of BIPL will be RMB1.0322 billion (equivalent to approximately HK\$1.2669 billion); and
- (b) an amount of approximately RMB250,000,000 payable for the registered capital of an indirect wholly owned subsidiary of the Company which is for a property development project in Shenyang, PRC. If counted by the total investment of RMB 1 billion of the project, the total capital commitment of the Group in respect of this project will be RMB750 million (equivalent to approximately HK\$921 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

On 30 June 2012, the Group had certain contingent liabilities arising from the reorganisation of Lugang. One of the non-controlling shareholder of Lugang, 北京十八里店農工商經營服務中心 (“BAIC Service Centre”) injected certain assets and liabilities owned by the subsidiary of BAIC Service Centre into Lugang before 2001 while certain bank loans (the “Loans”) with outstanding principal amount of approximately RMB47,700,000 were not taken up by Lugang. The Loans were guaranteed by BAIC Service Centre. As there are defects in the transfer procedures, the bank may require Lugang to assume the repayment obligations of the Loans in case BAIC Service Centre and its subsidiary are unable to settle the Loans, related interests and penalties. On 9 May 2012, legal proceeding has been brought against BAIC Service Centre, its subsidiary and Lugang. Due to the fact that the legal proceeding is still at an early stage, the directors of the Company considered that there are uncertainties in respect of the legal obligations of Lugang, as well as the amount and timing of the potential cash outflow, if any, therefore the fair value of such contingent liabilities cannot be reliably measured. An announcement will be made by the Company to comply with the Listing Rules if there is any significant development/change with respect to the above litigation.

CHARGES ON ASSETS

As at 30 June 2012, the Group had entrusted loans with principal amount of approximately HK\$34,366,000, which were secured by floating charges over the investment properties, buildings and prepaid land lease payments of a subsidiary of the Company with aggregated carrying amount of approximately HK\$135,099,000 on Group level.

As at 31 December 2011, the Group had: (i) entrusted loans with principal amount of approximately HK\$77,624,000, which were secured by floating charges over the investment properties, buildings and prepaid land lease payments of a subsidiary of the Company with aggregated carrying amount of approximately HK\$409,591,000 on Group level; and (ii) certain assets of a subsidiary of the Company with carrying amount of approximately HK\$16,255,000 were pledged to secure the general banking facilities of approximately HK\$2,477,000 which was drawn down.

EVENTS AFTER THE REPORTING PERIOD

- (a) The Board announced on 23 May 2012 that it intends to put forward a proposal to shareholders at the annual general meeting (“AGM”) for a reduction of the share premium account of the Company. It is proposed that the entire amount of the share premium account of the Company as at 31 December 2011 will be transferred to the contributed surplus account of the Company to offset the accumulated losses of the Company. The resolution was approved by shareholders at the AGM held on 29 June 2012 and the reduction of share premium account was completed on 3 July 2012.
- (b) On 31 July 2012, a total of 302,600,000 share options granted to directors, staff and consultants on 8 April 2010, 27 April 2010, 11 May 2010 and 17 June 2010 were cancelled.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012 the Group had a total of 96 (six months ended 30 June 2011: 274) employees. The significant decrease of number of employees is due to the discontinuation of our Gardening Business during the six months ended 30 June 2011. Total staff cost incurred during the six months ended 30 June 2012 amounted to approximately HK\$11,765,000 (six months ended 30 June 2011: approximately HK\$18,882,000) (excluding staff cost included in cost of sales, directors' remuneration and equity-settled share option expenses).

The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

APPRECIATION

The Board would like to express our appreciation to our shareholders, customers, banks and business partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

By order of the Board

Beijing Properties (Holdings) Limited

Zhou Si

Chairman

Hong Kong, 31 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited and restated) HK\$'000
CONTINUING OPERATIONS			
Revenue	3	6,781	–
Cost of sales		<u>(2,625)</u>	<u>–</u>
Gross profit		4,156	–
Gain on disposal of interest in a subsidiary	16	35,272	–
Other income and gains	4	34,014	10,603
Selling and distribution expenses		(849)	(4,401)
Administrative expenses		(53,664)	(18,713)
Other expenses		(47,769)	–
Finance costs	5	(25,733)	(22,127)
Share of loss of:			
A jointly-controlled entity		(1,594)	–
An associate		<u>(399)</u>	<u>–</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(56,566)	(34,638)
Income tax	7	<u>–</u>	<u>(10)</u>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(56,566)	(34,648)
DISCONTINUED OPERATION			
Profit/(loss) for the period from a discontinued operation	8	<u>5,674</u>	<u>(3,019)</u>
LOSS FOR THE PERIOD		<u>(50,892)</u>	<u>(37,667)</u>
Attributable to:			
Shareholders of the Company		(48,569)	(36,638)
Non-controlling interests		<u>(2,323)</u>	<u>(1,029)</u>
		<u>(50,892)</u>	<u>(37,667)</u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
Basic and diluted:			
For loss for the period		HK(1.27) cents	HK(1.01) cents
For loss from continuing operations		HK(1.42) cents	HK(0.93) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(50,892)	(37,667)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL		
– Exchange differences on translation of foreign operations	<u>(11,982)</u>	<u>29,010</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(62,874)</u>	<u>(8,657)</u>
Attributable to:		
Shareholders of the Company	(58,203)	(8,551)
Non-controlling interests	<u>(4,671)</u>	<u>(106)</u>
	<u>(62,874)</u>	<u>(8,657)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	22,561	18,911
Investment properties	11	162,810	163,537
Prepaid land lease payments		241,517	246,006
Deposits paid for the acquisition of land use rights		–	249,187
Investment in a jointly-controlled entity		8,000	–
Investment in an associate		54,290	54,960
Deferred tax assets		17	40,809
		<hr/>	<hr/>
Total non-current assets		489,195	773,410
CURRENT ASSETS			
Properties held for sale		–	122,578
Trade receivables	12	505	16,050
Prepayments, deposits and other receivables		8,481	19,868
Due from a jointly-controlled entity		306,895	–
Due from related parties		82	256,959
Cash and bank balances		2,320,878	2,873,409
		<hr/>	<hr/>
Total current assets		2,636,841	3,288,864
CURRENT LIABILITIES			
Trade payables	13	346	121,426
Other payables and accruals		17,820	87,272
Deposits received from sale of properties		–	34,502
Due to related parties		161,515	152,681
Bank and other borrowings		67,030	126,905
Convertible bonds	14	1,502,237	1,682,602
Income tax payables		277	227,871
		<hr/>	<hr/>
Total current liabilities		1,749,225	2,433,259
		<hr/>	<hr/>
NET CURRENT ASSETS		887,616	855,605
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,376,811	1,629,015
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	227	–
Bank and other borrowings	75,269	77,544
Deferred tax liabilities	65,838	85,168
	<hr/>	<hr/>
Total non-current liabilities	141,334	162,712
	<hr/>	<hr/>
Net assets	1,235,477	1,466,303
	<hr/>	<hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	383,779	383,779
Reserves	825,113	849,896
	<hr/>	<hr/>
	1,208,892	1,233,675
Non-controlling interests	26,585	232,628
	<hr/>	<hr/>
Total equity	1,235,477	1,466,303
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to shareholders of the Company										
	Issued capital	Share premium account	Contributed surplus	Share option reserve	Convertible bond equity reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2012	383,779	691,486	18,528	121,410	216,989	81,582	20,887	(300,986)	1,233,675	232,628	1,466,303
Loss for the period	-	-	-	-	-	-	-	(48,569)	(48,569)	(2,323)	(50,892)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(9,634)	-	-	(9,634)	(2,348)	(11,982)
Total comprehensive loss for the period	-	-	-	-	-	(9,634)	-	(48,569)	(58,203)	(4,671)	(62,874)
Disposal of subsidiaries	-	-	-	-	-	(9,653)	(20,887)	20,887	(9,653)	(201,372)	(211,025)
Equity-settled share option arrangements	-	-	-	43,073	-	-	-	-	43,073	-	43,073
Transfer of share option reserve due to resignation of staff and a consultant	-	-	-	(180)	-	-	-	180	-	-	-
Transfer of equity component of convertible bonds upon early redemption	-	-	-	-	(29,881)	-	-	29,881	-	-	-
At 30 June 2012	383,779	691,486*	18,528*	164,303*	187,108*	62,295*	-*	(298,607)*	1,208,892	26,585	1,235,477
At 1 January 2011:											
As previously reported	353,656	554,070	18,528	86,533	642,763	39,522	20,490	(424,694)	1,290,868	51,633	1,342,501
Prior period adjustments (note 21)	-	-	-	-	(409,011)	-	-	1,012	(407,999)	-	(407,999)
As restated	353,656	554,070	18,528	86,533	233,752	39,522	20,490	(423,682)	882,869	51,633	934,502
Loss for the period, as restated	-	-	-	-	-	-	-	(36,638)	(36,638)	(1,029)	(37,667)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	28,087	-	-	28,087	923	29,010
Total comprehensive loss for the period, as restated	-	-	-	-	-	28,087	-	(36,638)	(8,551)	(106)	(8,657)
Transfer of share option reserve due to resignation of staff and a consultant	-	-	-	(585)	-	-	-	585	-	-	-
Issue of shares upon conversion of convertible bonds, as restated	14,860	80,862	-	-	(12,774)	-	-	-	82,948	-	82,948
At 30 June 2011, as restated	368,516	634,932	18,528	85,948	220,978	67,609	20,490	(459,735)	957,266	51,527	1,008,793

* These reserve accounts comprise the consolidated reserves of HK\$825,113,000 (unaudited) (31 December 2011: HK\$849,896,000) in the condensed consolidated statement of financial position as at 30 June 2012.

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 flows used in operating activities	<u>(82,744)</u>	<u>(60,438)</u>
Net cash flows from investing activities	<u>241,063</u>	<u>2,878</u>
Net cash flows from/(used in) financing activities	<u>(699,193)</u>	<u>140,425</u>
Net increase/(decrease) in cash and cash equivalents	(540,874)	82,865
Cash and cash equivalents at beginning of period	2,873,409	3,303,855
Effect of foreign exchange rate changes	<u>(11,657)</u>	<u>44,107</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,320,878</u>	<u>3,430,827</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which became effective for the first time for the current period's financial statements, as further detailed in note 2 below.

These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the above new and revised HKFRSs has had no significant financial impact on these condensed interim financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION

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

- (a) the Properties business segment engages in the development of residential and commercial properties in Mainland China;
- (b) the Logistics business segment engages in the lease of warehouse facilities and provision of management services; and
- (c) the Gardening business segment engages in the manufacture and sale of outdoor gardening products and indoor lifestyle products (discontinued during the six months ended 30 June 2012 – note 8).

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

Segment assets excluded deferred tax assets, amount due from a jointly-controlled entity, amounts due from related parties, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

The following tables present revenue, profit or loss and assets information for the Group's reportable operating segments during the period.

	Continuing operations						Discontinued operation			
	Properties business		Logistics business		Total		Gardening business		Total	
	For the	For the	For the	For the	For the	For the	For the	For the	For the	
	six months	six months	six months	six months	six months	six months	six months	six months	six months	
ended	ended	ended	ended	ended	ended	ended	ended	ended	ended	
30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:										
Sales to external customers	2,867	-	3,914	-	6,781	-	35,093	50,874	41,874	50,874
Other income and gains, net	-	-	-	-	-	-	-	993	-	993
	<u>2,867</u>	<u>-</u>	<u>3,914</u>	<u>-</u>	<u>6,781</u>	<u>-</u>	<u>35,093</u>	<u>51,867</u>	<u>41,874</u>	<u>51,867</u>
Reconciliation:										
Bank interest income					23,326	10,603	275	7,984	23,601	18,587
Other interest income					10,663	-	-	-	10,663	-
Gain on disposal of interest in a subsidiary					35,272	-	-	-	35,272	-
Gain on disposal of a discontinued operation					-	-	12,901	-	12,901	-
Unallocated gains					25	-	-	-	25	-
Revenue, other income and gains, net					<u>76,067</u>	<u>10,603</u>	<u>48,269</u>	<u>59,851</u>	<u>124,336</u>	<u>70,454</u>
Segment results:										
The Group	(927)	(7,163)	(7,073)	-	(8,000)	(7,163)	(7,329)	(11,214)	(15,329)	(18,377)
Share of loss of:										
A jointly-controlled entity	-	-	(1,594)	-	(1,594)	-	-	-	(1,594)	-
An associate	-	-	(399)	-	(399)	-	-	-	(399)	-
	<u>(927)</u>	<u>(7,163)</u>	<u>(9,066)</u>	<u>-</u>	<u>(9,993)</u>	<u>(7,163)</u>	<u>(7,329)</u>	<u>(11,214)</u>	<u>(17,322)</u>	<u>(18,377)</u>
Reconciliation:										
Bank interest income					23,326	10,603	275	7,984	23,601	18,587
Other interest income					10,663	-	-	-	10,663	-
Gain on disposal of interest in a subsidiary					35,272	-	-	-	35,272	-
Gain on disposal of discontinued operation					-	-	12,901	-	12,901	-
Unallocated gains					25	-	-	-	25	-
Corporate and unallocated expenses					(90,126)	(15,951)	-	-	(90,126)	(15,951)
Finance costs					(25,733)	(22,127)	(161)	(192)	(25,894)	(22,319)
Profit/(loss) before tax					<u>(56,566)</u>	<u>(34,638)</u>	<u>5,686</u>	<u>(3,422)</u>	<u>(50,880)</u>	<u>(38,060)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

3. OPERATING SEGMENT INFORMATION (Continued)

	Continuing operations						Discontinued operation			
	Properties business		Logistics business		Total		Gardening business		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	-	268,614	411,377	520,184	411,377	788,798	-	15,150	411,377	803,948
Reconciliation:										
Corporate and other unallocated assets					2,714,659	2,844,111	-	414,215	2,714,659	3,258,326
Total assets					3,126,036	3,632,909	-	429,365	3,126,036	4,062,274

4. OTHER INCOME AND GAINS

As analysis of other income and gains from continuing operations is as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Bank interest income	23,326	10,603
Interest income from a jointly-controlled entity	10,663	-
Others	25	-
	34,014	10,603

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5. FINANCE COSTS

As analysis of finance costs from continuing operations is as follows:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
Interest on bank loans	6,046	–
Imputed interest on convertible bonds	19,687	22,127
	<u>25,733</u>	<u>22,127</u>

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
Cost of inventories sold	1,865	–
Direct cost of rental income	172	–
Cost of services provided	588	–
Depreciation	1,272	517
Amortisation of land lease payments	3,038	–
Loss on early redemption of convertible bonds*	25,888	–
Equity-settled share option expenses [#]	43,073	–
Foreign exchange differences, net	5,005	5,588

* The item is included in "Other expenses" on the face of the condensed consolidated income statement.

[#] Equity-settled share option expenses amounting to HK\$21,192,000 (six months ended 30 June 2011: Nil) and HK\$21,881,000 (six months ended 30 June 2011: Nil) are included in "Administrative expenses" and "Other expenses" on the face of the condensed consolidated income statement, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during both periods.

The People's Republic of China (the "PRC") corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Current – PRC:		
Hong Kong	–	–
Mainland China	–	10
	<hr/>	<hr/>
	–	10
	<hr/>	<hr/>

8. DISCONTINUED OPERATION

On 10 May 2012, the Company entered into a sale and purchase agreement with a third party, pursuant to which, the third party purchased the entire equity interest in New Radiant Investments Limited ("New Radiant") from the Group at a cash consideration of HK\$5,000,000. The transaction was completed on 31 May 2012.

The Group's gardening business operation was solely undertaken by New Radiant and its subsidiaries. Accordingly, the gardening business operation of the Group was discontinued upon the completion of the transaction.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8. DISCONTINUED OPERATION (Continued)

- (a) The results of the discontinued operation dealt with in the condensed consolidated financial statements for the six months ended 30 June 2012 and 2011 are summarised as below:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	35,093	50,874
Other income and gains, net	275	8,977
Cost of sales and operating expenses	(42,422)	(63,081)
Finance costs	(161)	(192)
	<hr/>	<hr/>
Loss before tax of the discontinued operation	(7,215)	(3,422)
Income tax credit/(expense) related to loss before tax of the discontinued operation	(12)	403
	<hr/>	<hr/>
	(7,227)	(3,019)
Gain on disposal of the discontinued operation, net of income tax of nil (<i>note 16</i>)	12,901	–
	<hr/>	<hr/>
Profit/(loss) for the period from a discontinued operation wholly attributable to shareholders of the Company	5,674	(3,019)
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8. DISCONTINUED OPERATION (Continued)

(b) The net cash flows of the discontinued operation dealt with in the condensed consolidated financial statements for the periods ended 30 June 2012 and 2011 are as below:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Operating activities	(6,367)	(22,036)
Investing activities	(91)	28
Financing activities	3,254	21,632
Net cash outflow attributable to the discontinued operation	(3,204)	(376)

(c) Earnings/(loss) per share from the discontinued operation

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Basic and diluted	HK0.15 cents	HK(0.08) cents

The calculation of the basic and diluted earnings/(loss) per share amounts from the discontinued operation are based on the following data:

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Profit/(loss) for the period from the discontinued operation attributable to shareholders of the Company	HK\$5,674,000	HK\$(3,019,000)
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings/(loss) per share calculation (note 10)	3,837,788,500	3,610,056,843

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

9. DIVIDEND

The Board of the Company does not recommend the payment of a dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the unaudited loss for the period and unaudited loss for the period from continuing operations attributable to shareholders of the Company of HK\$48,569,000 (six months ended 30 June 2011: HK\$36,638,000) and HK\$54,243,000 (six months ended 30 June 2011: HK\$33,619,000), respectively, and the weighted average number of 3,837,788,500 (six months ended 30 June 2011: 3,610,056,843) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2012 and 2011 as the impact of the share options and convertible bonds outstanding during these periods had either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts presented.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2012, the Group purchased certain property, plant and equipment and construction in progress of approximately HK\$1,191,000 and HK\$5,282,000, respectively. Certain property, plant and equipment with the aggregate net carrying amount of approximately HK\$1,400,000 were derecognised upon the disposal of subsidiaries during the six months ended 30 June 2012.

The fair value of investment properties as at 30 June 2012 was arrived at the quoted open market value by reference to observable prices in recent market transactions in comparable properties in the PRC, which was comparable to the fair value of investment properties as at 31 December 2011. The directors of the Company do not consider there was any material change in the fair value of investment properties during the six months ended 30 June 2012. The decrease in carrying amount of investment properties was due to the effect of exchange realignment for the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12. TRADE RECEIVABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables	505	16,502
Impairment	–	(452)
	505	16,050

The Group allows a credit period of 14 to 60 days to its trade customers, except for certain customers with credit period of more than 60 days.

The aged analysis of the trade receivables at the end of the reporting period, based on due date and net of impairment, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within credit period	197	2,587
Overdue:		
Within 1 month	–	10,722
1 to 3 months	308	2,300
4 to 6 months	–	299
More than 6 months	–	142
	505	16,050

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 1 month	–	9,066
1 to 2 months	–	2,902
2 to 3 months	346	87
More than 3 months	–	109,371
	346	121,426

The trade payables are non-interest-bearing and are repayable within the normal operating cycle of 30 to 60-day terms.

14. CONVERTIBLE BONDS

On 3 December 2010 and 31 December 2010, the Company issued convertible bonds of HK\$499,850,000 to independent third parties and HK\$1,500,000,000 to Beijing Enterprises Group (BVI) Company Limited, respectively.

The summary information of which is set out as follows:

	Placing Convertible Bonds*	Convertible Bonds*
Issuance date	3 December 2010	31 December 2010
Maturity date	2 December 2015	30 December 2015
Redemption option of the convertible bonds holders	Any day after the first anniversary of the issuance date	
Original principal amount (HK\$'000)	499,850	1,500,000
Coupon rate	Zero	Zero
Conversion price per ordinary share (HK\$)	0.65	0.65

* As defined in the respective circulars of the Company in connection with issuance of the convertible bonds.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

14. CONVERTIBLE BONDS (Continued)

The following tables summarise the movements in the principal amounts, and liability and equity components of the Company's convertible bonds during the period:

	Placing Convertible Bonds (Unaudited) HK\$'000	Convertible Bonds (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Principal amount outstanding			
At 1 January 2012	364,000	1,500,000	1,864,000
Redemption	(225,940)	–	(225,940)
	<u>138,060</u>	<u>1,500,000</u>	<u>1,638,060</u>
At 30 June 2012	138,060	1,500,000	1,638,060
Liability component			
At 1 January 2012	320,284	1,362,318	1,682,602
Redemption	(200,052)	–	(200,052)
Imputed interest expense	3,238	16,449	19,687
	<u>123,470</u>	<u>1,378,767</u>	<u>1,502,237</u>
At 30 June 2012	123,470	1,378,767	1,502,237
Equity component (included in the convertible bond equity reserve)			
At 1 January 2012	48,141	168,848	216,989
Redemption	(29,881)	–	(29,881)
	<u>18,260</u>	<u>168,848</u>	<u>187,108</u>
At 30 June 2012	18,260	168,848	187,108

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

15. SHARE CAPITAL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000	1,000,000
<i>Issued and fully paid:</i>		
3,837,788,500 ordinary shares of HK\$0.10 each	383,779	383,779

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

16. DISPOSAL OF SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 8 December 2011, the Company disposed of its entire interest in Zenna Investments Limited (“Zenna”), a then wholly-owned subsidiary of the Company, to an independent third party for a cash consideration of RMB251,710,000 (equivalent to approximately HK\$310,136,000). The transaction was completed on 16 March 2012.

As detailed in note 8 to this report, the Company’s equity interest in New Radiant was disposed of to a third party on 31 May 2012.

Details of the disposal transactions of the entire equity interest in Zenna and New Radiant are summarised as follow:

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$’000	HK\$’000
Net assets disposed of:			
Property, plant and equipment		1,400	–
Deferred tax assets		40,307	–
Inventories		115,203	–
Trade receivables		13,632	–
Deposits, prepayments and other receivables		16,577	–
Due from related companies		382,492	–
Cash and bank balances		330,233	–
Trade payables		(80,290)	–
Other payables and accruals		(89,464)	–
Income tax payables		(227,978)	–
Bank and other borrowings		(5,726)	–
Deferred tax liabilities		(18,683)	–
Non-controlling interests		(201,372)	–
		276,331	–
Exchange fluctuation reserve realised		(9,653)	–
Professional costs for the disposal of interests in subsidiaries		285	–
Gain on disposal of interest in a subsidiary		35,272	–
Gain on disposal of a discontinued operation	8	12,901	–
		315,136	–
Satisfied by:			
Cash		315,136	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

16. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries are as follows:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cash consideration	315,136	–
Cash and bank balances disposed of	(330,233)	–
Professional costs associated with disposal of interests in subsidiaries	(285)	–
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>(15,382)</u>	<u>–</u>

17. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	<u>–</u>	<u>40,891</u>

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties.

Owing to the disposal of Zenna during the six months ended 30 June 2012, the Group no longer exposes to the above contingent liabilities as at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

17. CONTINGENT LIABILITIES (Continued)

- (b) On 30 June 2012, the Group had certain contingent liabilities arising from the reorganisation of Beijing Inland Port International Logistics Co., Ltd. ("Lugang"), a subsidiary of the Group. One of the non-controlling shareholder of Lugang, 北京十八里店農工商經營服務中心 ("BAIC Service Centre") injected certain assets and liabilities owned by the subsidiary of BAIC Service Centre into Lugang before 2001 while certain bank loans (the "Loans") with outstanding principal amount of approximately RMB47,700,000 were not taken up by Lugang. The Loans were guaranteed by BAIC Service Centre. As there are defects in the transfer procedures, the bank may require Lugang to assume the repayment obligations of the Loans in case BAIC Service Centre and its subsidiary are unable to settle the Loans, related interests and penalties. On 9 May 2012, legal proceeding has been brought against BAIC Service Centre, its subsidiary and Lugang. Due to the fact that the legal proceeding is still at an early stage, the directors of the Company considered that there are uncertainties in respect of the legal obligations of Lugang, as well as the amount and timing of the potential cash outflow, if any, therefore the fair value of such contingent liabilities cannot be reliably measured. An announcement will be made by the Company to comply with the Listing Rules if there is any significant development/change with respect to the above litigation.

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Capital contributions to a jointly-controlled entity	1,266,892	1,282,842
Capital contributions to a property development project in Shenyang	920,653	–
	2,187,545	1,282,842

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

19. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following material transactions with related parties during the period:

Name of the related party	Nature of transaction	Notes	For the six months ended 30 June	
			2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
A major shareholder of the Company				
Beijing Holdings Limited	Rental expenses	(i)	887	470
Jointly-controlled entity				
北京北建通成國際物流有限公司	Interest income	(ii)	10,663	–

(i) The rental expenses were charged at a mutually agreed amount of RMB1,441,000 per annum. The transactions also constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions can be found on the websites of the Company and the Stock Exchange.

(ii) The interest income was charged at the rate of the PRC one year's term loan rate as published by the People's Bank of China. The transactions also constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions can be found on the websites of the Company and the Stock Exchange.

(b) On 1 June 2012, the Company granted 54,063,100 share options to several directors of the Company with the exercise periods ranging from 1 June 2012 to 31 May 2022 at an exercise price of HK\$0.41 per ordinary share.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	1,453	2,472
Equity-settled share option expenses	10,318	–
Total compensation paid to key management personnel	11,771	2,472

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

20. EVENTS AFTER THE REPORTING PERIOD

- (a) The Board announced on 23 May 2012 that it intends to put forward a proposal to shareholders at the annual general meeting (“AGM”) for a reduction of the share premium account of the Company. It is proposed that the entire amount of the share premium account of the Company as at 31 December 2011 will be transferred to the contributed surplus account of the Company to offset the accumulated losses of the Company. The resolution was approved by shareholders at the AGM held on 29 June 2012 and the reduction of share premium account was completed on 3 July 2012.
- (b) On 31 July 2012, a total of 302,600,000 share options granted to directors, staff and consultants on 8 April 2010, 27 April 2010, 11 May 2010 and 17 June 2010 were cancelled.

21. PRIOR PERIOD ADJUSTMENTS

As disclosed in note 32 to the Company’s consolidated financial statements for the year ended 31 December 2011, the directors of the Company discovered that, as a result of some valuation errors, there were errors in the allocation of the consideration received from the issuance of the Company’s convertible bonds in 2010 between the equity component and the liability component of the convertible bonds upon initial recognition, and the subsequent amortisation of the liability component of the convertible bonds using the effective interest rate method. As such, prior period adjustments were made to rectify the errors based on a revised valuation of the Company’s convertible bonds performed by CB Richard Ellis, independent professionally qualified valuers, and the effects of which on the Group’s interim condensed consolidated financial statements for the six months ended 30 June 2011 are summarised as follows:

- Convertible bonds as at 1 January 2011 and 30 June 2011 have been increased by HK\$407,999,000 and HK\$360,446,000, respectively;
- Convertible bond equity reserve as at 1 January 2011 and 30 June 2011 have been decreased by HK\$409,011,000 and HK\$391,008,000, respectively;
- Accumulated losses as at 1 January 2011 and 30 June 2011 have been decreased by HK\$1,012,000 and HK\$31,442,000, respectively; and
- Loss for the six months ended 30 June 2011 has been decreased by HK\$30,430,000.

22. COMPARATIVE AMOUNTS

Owing to prior period adjustments as detailed in note 21 and the discontinuance of the Group’s gardening business operation following the disposal of the Group’s interest in New Radiant during the six months ended 30 June 2012, certain comparative amounts for the condensed consolidated financial statements have been restated and reclassified to conform to the current period’s presentation.

DISCLOSEABLE INFORMATION

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

As at 30 June 2012, the interests and short position of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long position in the ordinary shares of the Company:

Name of director	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital (%)
Mr. Ang Keng Lam	Beneficial Owner	4,536,000	
	Controlled corporation	<u>100,000,000</u>	
		<u>104,536,000</u>	2.72
Mr. Yu Luning	Beneficial Owner	<u>2,476,000</u>	0.06

Long position in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share option schemes" below.

Save as disclosed above, as at 30 June 2012, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEMES

On 18 March 2010, the Company has adopted new share option scheme (the “Scheme”) to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group’s business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company’s ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company’s ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEMES (Continued)

The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2012 as follows:

Name or category of participant	Number of share options					Date of grant of share options**	Exercise period of share options	Exercise price of share options HK\$ per share	The closing price of Company's ordinary shares immediately before the date of grant HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period	Forfeited/lapsed during the period	At 30 June 2012				
Directors:									
Mr. Zhou Si	5,000,000	-	-	-	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	7,000,000	-	-	-	7,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	5,000,000	-	-	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	12,000,000	5,000,000	-	-	17,000,000				
Mr. Ang Keng Lam	5,000,000	-	-	-	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	6,000,000	-	-	-	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	5,000,000	-	-	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	11,000,000	5,000,000	-	-	16,000,000				
Mr. Yu Li	4,250,000	-	-	-	4,250,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	6,000,000	-	-	-	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	4,250,000	-	-	4,250,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	10,250,000	4,250,000	-	-	14,500,000				
Mr. Qian Xu	6,000,000	-	-	-	6,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	6,000,000	-	-	-	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	6,000,000	-	-	6,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	12,000,000	6,000,000	-	-	18,000,000				
Mr. Xu Taiyan	5,000,000	-	-	-	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	5,000,000	-	-	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	10,000,000	5,000,000	-	-	15,000,000				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options					Date of grant of share options**	Exercise period of share options	Exercise price of share options HK\$ per share	The closing price of Company's ordinary shares immediately before the date of grant HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period	Forfeited/lapsed during the period	At 30 June 2012				
Mr. Jiang Xinhao	3,300,000	-	-	-	3,300,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	3,300,000	-	-	3,300,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	8,300,000	3,300,000	-	-	11,600,000				
Ms. Meng Fang	5,000,000	-	-	-	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	5,000,000	-	-	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	10,000,000	5,000,000	-	-	15,000,000				
Mr. Siu Kin Wai	5,000,000	-	-	-	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	5,000,000	-	-	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	10,000,000	5,000,000	-	-	15,000,000				
Mr. Yu Luning	5,000,000	-	-	-	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	5,000,000	-	-	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	10,000,000	5,000,000	-	-	15,000,000				
Mr. Liu Xueheng	5,000,000	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47	
Mr. Goh Gen Cheung	2,000,000	-	-	-	2,000,000	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808	0.81
	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	1,837,700	-	-	1,837,700	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	4,000,000	1,837,700	-	-	5,837,700				
Mr. Ma Chiu Cheung, Andrew	2,000,000	-	-	-	2,000,000	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808	0.81
	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	1,837,700	-	-	1,837,700	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	4,000,000	1,837,700	-	-	5,837,700				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options					Date of grant of share options**	Exercise period of share options	Exercise price of share options HK\$ per share	The closing price of Company's ordinary shares immediately before the date of grant HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period	Forfeited/lapsed during the period	At 30 June 2012				
Mr. Ng Tang Fai, Ernesto	2,000,000	-	-	-	2,000,000	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808	0.81
	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	1,837,700	-	-	1,837,700	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	4,000,000	1,837,700	-	-	5,837,700				
Mr. Zhu Wuxiang	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
Mr. James Chan	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
Other employees and consultants in aggregate:	240,050,000	-	-	-	240,050,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820	0.88
	11,400,000*	-	-	(800,000)	10,600,000	11-May-10	11-May-10 to 10-May-20	0.820	0.74
	2,400,000	-	-	-	2,400,000	17-Jun-10	17-Jun-10 to 16-Jun-20	0.820	0.65
	135,000,000	-	-	-	135,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	-	253,850,000*	-	-	253,850,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410	0.41
	388,850,000	253,850,000	-	(800,000)	641,900,000				
	503,400,000	302,913,100	-	(800,000)	805,513,100				

Notes:

* Mr. Lin Chun Kuei, who was granted 5,000,000 options and 5,000,000 options on 11 May 2010 and 1 June 2012 respectively, has been re-designated to Company's consultant upon his resignation from Non-Executive Director on 27 June 2012.

** There are no vesting period for the share options.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs "Directors' and chief executive's interests in shares and underlying shares" and "Share option schemes", at no time during the six months ended 30 June 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSEABLE INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2012, the following interests and short positions of 5% or more of the issued share capital and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares and Underlying Shares:

Name	Notes	Number of Shares held, capacity and nature of interest		Number of Underlying Shares held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital
		Directly beneficially owned	Through a controlled corporation	Directly beneficially owned	Through a controlled corporation		
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	40.59%
Beijing Holdings Limited	(b)	–	1,557,792,500	–	–	1,557,792,500	40.59%
Beijing Enterprises Group (BVI) Company Limited	(c)	–	–	2,307,692,307	–	2,307,692,307	60.13%
Beijing Enterprises Group Company Limited	(d)	–	1,557,792,500	–	2,307,692,307	3,865,484,807	100.72%
Thular Limited	(e)	354,400,000	–	–	–	354,400,000	9.23%
Kerry Holdings Limited	(e)	–	354,400,000	–	–	354,400,000	9.23%
Kerry Group Limited	(e)	–	354,400,000	–	–	354,400,000	9.23%

Notes:

- (a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 shares.
- (b) Beijing Holdings Limited ("BHL") is deemed to be interested in the 1,557,792,500 shares by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.
- (c) Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI") holds 2,307,692,307 underlying shares though it's ownerships in the HK\$1,500,000,000 convertible bonds of the Company which are convertible at HK\$0.65 per share.
- (d) The interest disclosed represents the shares owned by BHL as detail in note (b) and the underlying shares owned by BE Group BVI as detail in note (c) above. BHL and BE Group BVI is held directly as to 100% by Beijing Enterprises Group Company Limited ("BE Group"). Accordingly, BE Group is deemed to be interested in the said shares and underlying shares.
- (e) Thular Limited ("Thular") is the beneficial owner of 354,400,000 shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"). KHL and KGL are also deemed to be interested in the said shares.

Save as disclosed above, as at 30 June 2012, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2012.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE “CG CODE”)

In the opinion of the Directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) (“Old CG Code”) and the Corporate Governance Code (effective from 1 April 2012) (“CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2012, except as disclosed herein below.

Under the revised code provision E.1.2, the Chairman of the Board should attend the Annual General Meeting and invite the chairmen of Audit, Remuneration, Nomination and any other committees (as appropriate) to attend. However, in the Annual General meeting held on 29 June 2012 (the “2012 AGM”), our Chairman was unable to attend the meeting due to his other commitments. He appointed Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company to chair the meeting on his behalf and chairmen of the Audit, Remuneration and Nomination Committees had also attended the 2012 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SHARE DEALING

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors except one (as described below) have complied with the required standards set out in the Model Code and its code of conduct regarding Director’s securities transaction during the six months ended 30 June 2012. An Executive Director, Mr. Yu Luning has inadvertently and unintentionally acquired 2,476,000 shares of the Company on 21 February 2012, which did not fully comply with Rules A.3.(a)(i) of the Appendix 10 of the Listing Rules. In such consideration, the Company has explained to all the Directors the standard and requirements to be complied with in securities dealings to ensure no recurrence of such similar event in future.

INVESTMENT AND RISK MANAGEMENT COMMITTEE

The Investment and Risk Management Committee of the Company was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

The members of the Investment and Risk Management Committee are Mr. Ang Keng Lam (Chairman), Mr. Qian Xu, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Zhu Wuxiang. All members except Mr. Zhu Wuxiang are Executive Directors of the Company as the committee will mostly involve in operational matters of the Group. Mr. Zhu Wuxiang is the representative of Independent Non-Executive Directors to join the committee to provide independent and professional opinion.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code as set out in Appendix 14 of the Listing Rules. It comprises five Independent Non-Executive Directors of the Company to review on matters regarding internal controls and financial reporting of the Group, including review of the unaudited interim results for the six months ended 30 June 2012 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

During the six months ended 30 June 2012, the Audit Committee members are all Independent Non-Executive Directors. Members of the audit committee are Mr. Ma Chiu Cheung, Andrew (Chairman), Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005, which is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the six months ended 30 June 2012, the majority of the Remuneration Committee members are Independent Non-Executive Directors. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. James Chan and Mr. Yu Luning.

NOMINATION COMMITTEE

The Nomination Committee was established in 2005, which is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the Board on a regular basis, ensuring the competitive position of the organisation, evaluating the leadership abilities of Executive and Non-Executive Directors and ensuring fair and transparent procedures for the appointment of directors to the Board.

During the six months ended 30 June 2012, the majority of the Nomination Committee members are Independent Non-Executive Directors. Members of the Nomination Committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. James Chan, Mr. Qian Xu, Mr. Yu Luning and Ms. Meng Fang.