2013

Interim Report

Madex International (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00231)

This report, in both English and Chinese versions, is available on the Company's website at http://www.madex.com.hk (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

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CORPORATE INFORMATION

Board of Directors

Executive Directors:
Mr. Liang Wenguan *(Chairman)*
Mr. Zhang Guodong
Ms. Liang Huixin

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Mr. Zhang Guodong
Mr. Chan Kwan Pak

Company Secretary

Mr. Chan Kwan Pak

Auditors

Pan-China (HK) CPA Limited
11/F, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

Principal Bankers

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

Principal Registrar and Transfer Office

Butterfield Fulcrum Group
(Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

26 Burnaby Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Suite 3005, 30/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Website

www.madex.com.hk

Stock Code

00231

The board (the "Board") of directors (the "Directors") of Madex International (Holdings) Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30.6.2013 (Unaudited) *HK$'000***	30.6.2012 (Unaudited) *HK$'000*
Revenue	*3*	**14,170**	13,364
Cost of sales		**(3,295)**	(3,322)
Gross profit		**10,875**	10,042
Other revenue		**37**	169
Administrative expenses		**(30,474)**	(18,456)
Finance costs	*4*	**(20,898)**	(20,037)
Fair value change on investment properties	*9*	**(173,433)**	9,705
Fair value change on derivative financial assets	*15*	**(3,020)**	1,801
Fair value change on derivative financial liabilities	*15*	**2,112**	(43,962)
Fair value change on contingent consideration	*16*	**(14,637)**	(43,823)
Share of profits of a joint venture		**1,443**	1,754
Loss before tax		**(227,995)**	(102,807)
Income tax expenses	*5*	**43,358**	(2,427)
Loss for the period	*6*	**(184,637)**	(105,234)
Loss for the period attributable to:			
Owners of the Company		**(184,637)**	(104,871)
Non-controlling interests		**–**	(363)
		(184,637)	(105,234)
Loss per share	*8*		
Basic and diluted		**(1.572) cents**	(1.143) cents

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended	
	30.6.2013	30.6.2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(184,637)**	(105,234)
Other comprehensive income (expense)		
Item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**28,397**	(19,243)
Total comprehensive expense for the period	**(156,240)**	(124,477)
Total comprehensive expense attributable to:		
Owners of the Company	**(156,240)**	(124,069)
Non-controlling interests	**–**	(408)
	(156,240)	(124,477)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30.6.2013 (Unaudited) *HK$'000***	31.12.2012 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**31,624**	32,212
Investment properties	9	**3,103,000**	3,098,756
Intangible asset	10	**41,223**	42,305
Interest in a joint venture		**45,168**	43,725
		3,221,015	3,216,998
Currents assets			
Trade and other receivables	11	**23,384**	22,018
Pledged bank balances		**138**	135
Derivative financial assets	15	**5,657**	30,852
Bank balances and cash		**97,991**	6,909
		127,170	59,914
Current liabilities			
Other payables	12	**242,789**	200,326
Borrowings	13	**114,021**	148,413
Tax liabilities		**210**	210
Amount due to a related party	14	**2,564**	2,564
Amount due to a shareholder	14	**48,326**	86,172
Amount due to a joint venture	14	**23,474**	7,274
Derivative financial liabilities	15	**25,317**	97,528
		456,701	542,487
Net current liabilities		**(329,531)**	(482,573)
Total assets less current liabilities		**2,891,484**	2,734,425

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

	Note	30.6.2013 (Unaudited) HK$'000	31.12.2012 (Audited) HK$'000
Capital and reserves			
Share capital	17	**592,132**	542,218
Reserves		**858,557**	934,676
Equity attributable to owners of the Company		**1,450,689**	1,476,894
Non-controlling interests		**–**	–
Total equity		**1,450,689**	1,476,894
Non-current liabilities			
Borrowings	13	**745,891**	462,687
Deferred tax liabilities		**432,186**	467,349
Convertible notes	15	**34,129**	113,543
Provision for contingent consideration	16	**228,589**	213,952
		1,440,795	1,257,531
		2,891,484	2,734,425

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	415,366	633,604	52	68,539	(4,743)	1,112,818	4,739	1,117,557
Profit for the year	–	–	–	–	16,925	16,925	(4,515)	12,410
Other comprehensive income	–	–	–	12,223	–	12,223	(224)	11,999
Total comprehensive income for the year	–	–	–	12,223	16,925	29,148	(4,739)	24,409
Converted convertible note into shares	126,852	208,076	–	–	–	334,928	–	334,928
At 31 December 2012 and 1 January 2013	542,218	841,680	52	80,762	12,182	1,476,894	–	1,476,894
Loss for the period	–	–	–	–	(184,637)	(184,637)	–	(184,637)
Other comprehensive income	–	–	–	28,397	–	28,397	–	28,397
Total comprehensive expense for the period	–	–	–	28,397	(184,637)	(156,240)	–	(156,240)
Converted convertible note into shares	49,914	80,121	–	–	–	130,035	–	130,035
At 30 June 2013	**592,132**	**921,801**	**52**	**109,159**	**(172,455)**	**1,450,689**	**-**	**1,450,689**

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	415,366	633,604	52	68,539	(4,743)	1,112,818	4,739	1,117,557
Loss for the period	–	–	–	–	(104,871)	(104,871)	(363)	(105,234)
Other comprehensive expense	–	–	–	(19,198)	–	(19,198)	(45)	(19,243)
Total comprehensive expense for the period	–	–	–	(19,198)	(104,871)	(124,069)	(408)	(124,477)
Converted convertible note into shares	126,852	208,076	–	–	–	334,928	–	334,928
At 30 June 2012	542,218	841,680	52	49,341	(109,614)	1,323,677	4,331	1,328,008

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30.6.2013	30.6.2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from operating activities	**21,452**	1,408
Net cash used in investing activities	**(114,918)**	(50,924)
Net cash generated from financing activities	**184,641**	40,170
Net increase (decrease) in cash and cash equivalents	**91,175**	(9,346)
Cash and cash equivalents at beginning of the period	**6,909**	11,646
Effect of foreign exchange rate changes	**(93)**	(77)
Cash and cash equivalents at end of the period	**97,991**	2,223

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2013

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (Revised 2011)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HK (IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the adoption of those HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

2. Principal accounting policies *(continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements. jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangement under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2. Principal accounting policies *(continued)*

Impact of the application of HKFRS 11 *(continued)*

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in Madex (Zhuhai) Limited, which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as joint venture under HKFRS 11 and accounted for using the equity method. Therefore, the application of HKFRS 11 in the current period has had no material impact on the Group's condensed consolidated financial performance and positions for the current and prior periods and/or the disclosures set out in the interim report.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The adoption of HKFRS 13 does not have any material impact on the Group's interim financial report except for additional disclosures made in note 18.

3. Segment information

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

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Trading of goods

3. Segment information *(continued)*

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

	Property leasing		Right to receive royalty fee		Trading of goods		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**9,817**	9,641	**4,353**	3,704	**-**	19	**14,170**	13,364
Segment (loss) profit	**(183,865)**	11,359	**(909)**	(1,060)	**(164)**	(752)	**(184,938)**	9,547
Unallocated corporate expenses							**(23,639)**	(94,228)
Unallocated other revenue							**37**	157
Share of profits of a joint venture							**1,443**	1,754
Finance costs							**(20,898)**	(20,037)
Loss before tax							**(227,995)**	(102,807)

4. Finance costs

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings and other interest bearing borrowings wholly repayable within five years	**14,704**	2,332
– bank borrowings and other interest bearing borrowings wholly repayable over five years	**3,497**	3,335
– effective interest expenses on convertible notes *(note 15)*	**2,697**	14,370
Borrowing costs incurred in connection with bank borrowings for investment properties under redevelopment	**13,466**	15,386
Total borrowing costs	**34,364**	35,423
Less: amounts capitalised	**(13,466)**	(15,386)
	20,898	20,037

5. Income tax expenses

No provision for Hong Kong Profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (1.1.2012 to 30.6.2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	–
Deferred tax		
Fair value changes on investment properties	**(43,358)**	2,427
	(43,358)	2,427

6. Loss for the period

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

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Amortisation of an intangible asset (included in cost of sales)	**1,778**	1,736
Amortisation of prepaid lease payments	**–**	69
Depreciation for property, plant and equipment	**717**	1,470
Total depreciation and amortisation	**2,495**	3,275
Interest income	**(37)**	(157)

7. Dividend

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (1.1.2012 to 30.6.2012: Nil).

8. Loss per share

(a) Basic loss per share

The calculation of the basic loss per share are based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(184,637)**	(104,871)

	30.6.2013	30.6.2012
	'000	*'000*
Weighted average number of ordinary shares		
Number of shares		
Issued ordinary shares at 1 January	**10,844,367**	8,307,327
Effect of shares issued upon conversion of convertible notes	**904,519**	866,910
Weighted average number of ordinary shares at 30 June	**11,748,886**	9,174,237

(b) Diluted loss per share

The calculation of the diluted loss per share are based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(184,637)**	(104,871)
After tax effect of effective interest on the liability component of convertible notes	**2,022**	10,778
Loss for the period attributable to owners of the Company (diluted)	**(182,615)**	(94,093)

	30.6.2013	30.6.2012
	'000	*'000*
Weighted average number of ordinary shares (diluted)		
Numbers of shares		
Weighted average number of ordinary shares at 30 June	**11,748,886**	9,174,237
Effect of the dilutive potential ordinary shares	**390,625**	1,388,905
Weighted average number of ordinary shares used in the calculation of diluted loss per share	**12,139,511**	10,563,142

8. Loss per share *(continued)*

(b) Diluted loss per share *(continued)*

The diluted loss per share for the periods ended 30 June 2013 and 30 June 2012 is equivalent to the basic loss per share as the potential shares arising from the conversion of the convertible bonds would decrease the loss per share of the Group for the periods, and is regarded as anti-dilutive.

9. Investment properties

	Completed investment property in the PRC *(note (a))* *HK$'000*	Investment properties under redevelopment in the PRC *(note (b))* *HK$'000*	Total *HK$'000*
Fair value			
As at 1 January 2012	448,148	2,450,000	2,898,148
Additions	980	86,670	87,650
Exchange adjustments	2,389	18,284	20,673
Net increase (decrease) in fair value recognized in profit or loss	(2,761)	95,046	92,285
As at 31 December 2012 and 1 January 2013	448,756	2,650,000	3,098,756
Additions	–	128,311	128,311
Exchange adjustments	7,376	41,990	49,366
Net decrease in fair value recognized in profit or loss	(13,132)	(160,301)	(173,433)
As at 30 June 2013	443,000	2,660,000	3,103,000

The Group's investment properties as at 30 June 2013 and 31 December 2012 were situated in the PRC and were held under medium-term lease.

Note:

(a) The fair value of the Group's completed investment property as at 30 June 2013 and 31 December 2012 had been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

(b) The fair value of the investment properties under redevelopment in the PRC had been arrived at on the basis of a valuation carried out on 30 June 2013 and 31 December 2012 by Assets Appraisals Limited, an independent qualified professional valuer not connected with the Group. The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

10. Intangible asset

	30.6.2013 HK$'000	31.12.2012 HK$'000
At 1 January	**42,305**	45,491
Exchange adjustments	**695**	294
Amortisation for the period	**(1,777)**	(3,480)
At end of the period	**41,223**	42,305

11. Trade and other receivables

At 30 June 2013, included in trade and other receivables are trade receivables of approximately HK$4,355,000 (31.12.2012: approximately HK$7,083,000).

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

	30.6.2013 HK$'000	31.12.2012 HK$'000
Within 3 months	**2,212**	1,841
4 to 6 months	**2,143**	1,841
Over 6 months	**–**	3,401
Total	**4,355**	7,083

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

12. Other payables

	30.6.2013 HK$'000	31.12.2012 HK$'000
Other payables and accrued charges	**84,749**	49,355
Outstanding consideration for acquisition of an intangible asset through acquisition of a subsidiary	**10,000**	10,000
Refundable deposits received	**104,799**	101,623
Rental received in advance	**43,241**	39,348
	242,789	200,326

13. Borrowings

During the current period, the group obtained new bank loans and other borrowings of approximately HK$328,698,000 and HK$100,253,000 respectively (1.1.2012 to 30.6.2012: approximately HK$12,210,000 and HK$40,415,000 respectively) and repaid bank and other borrowings of approximately HK$33,730,000 and HK$155,879,000 respectively (1.1. 2012 to 30.6.2012: approximately HK$20,724,000 and HK$14,042,000 respectively).

The interest charged to the new bank loans was by reference to the benchmark bank loan interest rate quoted by the People's Bank of China floating upward by 20% to 50% and repayable by installments until 2020. The new other borrowings were interest bearing ranging from 1.5% to 5% per month and 15% per annum and repayable within 1 year. All the above new loans were denominated in RMB.

14. Amount due to a related party/a shareholder/a joint venture

The amounts are unsecured, interest free and repayable on demand.

15. Convertible notes and derivative financial instrument

On 7 July 2011, the Company issued zero-coupon convertible notes ("First Convertible Note") with a nominal value of approximately HK$502,521,000 as part of the consideration for the acquisition of various companies ("Acquired Group") from Profit China Investments Development Limited ("Profit China"), a company which is beneficially wholly owned by a controlling shareholder and an executive director of the Company Mr. Liang Wenguan ("Mr. Liang"). The Acquired Group mainly holds the investment property under redevelopment in Chongqing and other assets and liabilities. The First Convertible Note are denominated in Hong Kong dollars. The First Convertible Note entitle the holders to convert them into ordinary shares of the Company at any time falling six months after the date of issue of the First Convertible Note and their settlement date on 6 July 2016, being the fifth anniversary of the date of its issue, in multiples of HK$500,000 at a conversion price of HK$0.128 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the First Convertible Note have not been converted, they will be redeemed on 6 July 2016 at par.

The Company may at any time after the date of issue of the First Convertible Note on giving to the holder thereof not less than 3 business day's notice in writing, elect to redeem the whole or part of the First Convertible Note.

The First Convertible Note were valued by the directors of the Company with reference to valuation reports issued by Asset Appraisal Limited, an independent qualified valuer not connected to the Group.

The principal amounts of the First Convertible Note are divided into straight debt component, embedded conversion option and early redemption option on initial recognition. The debt component is recognised in the consolidated statement of financial position as non-current liability (the holder of the convertible notes cannot require the Company to settle the convertible notes before the maturity of the convertible notes). The embedded conversion option is recognised in the consolidated statement of financial position as current liabilities. The early redemption option embedded in the First Convertible Note is recognised in the consolidated statement of financial position as current assets.

15. Convertible notes and derivative financial instrument *(continued)*

At initial recognition, the debt components are measured at fair value and subsequently measured at amortised cost. The effective interest rate of the debt component is 13.3% (31.12.2012:13.3%). Embedded conversion option and early redemption option are measured at fair value with changes in fair value recognized in profit or loss.

The movement of the debt component and derivatives components of the First Convertible Note for the year/period is set out as below:

	Debt component *HK$'000*	**Embedded conversion option** *HK$'000*	**Early redemption option** *HK$'000*	**Total** *HK$'000*
As at 1 January 2012	280,912	282,904	(57,660)	506,156
Interest charge	22,001	–	–	22,001
Converted into ordinary shares *(note 17)*	(189,370)	(182,819)	37,261	(334,928)
Gain arising on changes of fair value	–	(2,557)	(10,453)	(13,010)
As at 31 December 2012 and 1 January 2013	113,543	97,528	(30,852)	180,219
Interest charge *(note 4)*	2,697	–	–	2,697
Converted into ordinary shares *(note 17)*	(82,111)	(70,099)	22,175	(130,035)
Loss (gain) arising on changes of fair value	–	(2,112)	3,020	908
As at 30 June 2013	34,129	25,317	(5,657)	53,789

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

	30 June 2013	31 December 2012
Share price	**HK$0.136**	HK$0.128
Conversion price	**HK$0.128**	HK$0.128
Expected volatility *(note a)*	**52.07%**	61.9%
Expected life *(note b)*	**3.02 years**	3.52 years
Risk free rate *(note c)*	**0.544%**	0.197%

Note:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the First Convertible Note.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

16. Provision for contingent consideration

In connection with the acquisition of net assets through an acquisition of the Acquired Group as detailed in note 15, provision for contingent consideration represented the acquisition-date fair value of contingent consideration for the Second Convertible Note and the Third Convertible Note, which will be issued by the Company after certain conditions fulfilled as specified in the acquisition agreement signed on 27 February 2011 for the Acquired Group and the supplemental agreement signed on 19 May 2011, as part of the consideration transferred in exchange for the Acquired Group.

The provision for contingent consideration is classified as a financial liability as it is resulted from a contract that will or may be settled in the Company's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. The amount will then be measured at fair value with changes in fair value recognised in profit or loss.

The provision for contingent consideration was valued by the directors of the Company with reference to valuation reports issued by Asset Appraisal Limited, an independent qualified valuer not connected to the Group.

	HK$'000
As at 1 January 2012	212,406
Arising on changes in fair value	1,546
As at 31 December 2012 and 1 January 2013	213,952
Arising on changes in fair value	14,637
As at 30 June 2013	228,589

The fair values of the provision for contingent consideration are calculated using the binomial model. The inputs into the model were as follows:

Second convertible note

	30 June 2013	31 December 2012
Share price	**HK$0.136**	HK$0.128
Conversion price	**HK$0.128**	HK$0.128
Expected volatility *(note a)*	**61.33%**	99.92%
Expected life *(note b)*	**5.25 years**	5.75 years
Risk free rate *(note c)*	**1.172%**	0.369%

16. Provision for contingent consideration *(continued)*

Third convertible note

	30 June 2013	31 December 2012
Share price	**HK$0.136**	HK$0.128
Conversion price	**HK$0.128**	HK$0.128
Expected volatility *(note a)*	**63.49%**	97.8%
Expected life *(note b)*	**5.5 years**	6 years
Risk free rate *(note c)*	**1.219%**	0.385%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the Second Convertible Note and the Third Convertible Note.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

The Second Convertible Note and the Third Convertible Note will be issued on 30 September 2013 and 31 December 2013 respectively based on the best estimation of the management of the Company on the current status of conditions for issuing those convertible notes.

17. Share capital

During the current period, total number of ordinary shares of 998,280,000 (1.1.2012 to 30.6.2012: 2,537,040,594), with nominal value of approximately of HK$49,914,000 (1.1.2012 to 30.6.2012: approximately HK$126,852,000), were issued upon the conversion of the First Convertible Note amounting to approximately HK$130,035,000 (1.1.2012 to 30.6.2012: approximately HK$334,928,000).

18. Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. Fair value measurements of financial instruments *(continued)*

	Fair value measurements as at 30 June 2013 using			
	Fair value at 30 June 2013 *HK$'000*	**Quoted prices in active market for identified assets (Level 1)** *HK$'000*	**Significant other observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*
Financial assets at fair value through profit or loss				
Derivative financial assets	5,657	–	–	5,657
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	25,317	–	–	25,317
Provision for contingent consideration	228,589	–	–	228,589

	Fair value measurements as at 31 December 2012 using			
	Fair value at 31 December 2012 *HK$'000*	**Quoted prices in active market for identified assets (Level 1)** *HK$'000*	**Significant other observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*
Financial assets at fair value through profit or loss				
Derivative financial assets	30,852	–	–	30,852
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	97,528	–	–	97,528
Provision for contingent consideration	213,952	–	–	213,952

During the six months ended 30 June 2013, there were no transfers between all levels.

19. Related party transactions

(i) As at 30 June 2013, Mr. Liang provided a personal guarantee to banks for the repayment of the bank loans of approximately HK$854,476,000 (31.12.2012: approximately HK$551,025,000).

(ii) During the period ended 30 June 2013, the remuneration for key management personnel of the Group was approximately HK$1,845,000 (1.1.2012 to 30.6.2012: approximately HK$1,795,000).

20. Commitments

(a) Operating lease commitments

At 30 June 2013 and 31 December 2012, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Within one year	**42**	61

(b) At the end of the reporting period, the Group had the following capital commitments:

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Contracted but not provided in the consolidated financial statements – Acquisition of investment properties under redevelopment	**15,600**	25,899

21. Contingent liabilities

(a) During the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing had been sold to independent third parties (the "Buyers") under sale and purchase agreements (the SP Agreements"). Leasing agency contracts and mortgage contracts were signed together with SP Agreements among the Buyers, Chongqing Kings Mall Real Estate Development Company Limited ("Kings Development", a wholly owned subsidiary of the Group acquired from Profit China) and Jia Jun Business Management Consultants Limited ("Jia Jun"). Pursuant to the terms of the leasing agency contracts, Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser of the Group, the directors of the Company considered that they have strong and valid ground of defence in relation to the potential claims in respect of the Buyers without entering into cancellation agreements regarding the units the Buyers had bought ("Problematic Properties") and the directors of the Company considered that Kings Development would not suffer material financial losses arising from such litigation and has the right to occupy and lease the Problematic Properties to other tenants to generate rental income.

21. Contingent liabilities *(continued)*

(a) *(continued)*

On 27 February 2011, pursuant to a deed of indemnity executed by Profit China and Mr. Liang in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of the Acquired Group and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza Development Company Limited entered into an undertaking to bear the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of the Acquired Group that the Acquired Group may suffer.

(b) During the year ended 31 December 2010, the Group received a legal letter from an independent third party in respect of a dispute arising from a past exclusive distributorship agreement. Alleged losses of RMB12,000,000 were claimed to have been suffered by the independent third party.

The directors of the Company considered that the Group had a valid and strong ground for defence as the independent third party has no right to enter into any exclusive distributorship agreement. As a result, the possibility of the Group to lose the case is remote and the Group is not expected to suffer material financial losses arising from such litigation, if any. Accordingly, no provision for any claim amount and other costs were made as at 30 June 2013 in the consolidated financial statements.

22. Pledge of assets

As at 30 June 2013, bank balances of approximately HK$138,000 (31.12.2012: approximately HK$135,000), leasehold land and buildings and investment properties with carrying value of approximately HK$29,676,000 (31.12.2012: approximately HK$30,121,000) and approximately HK$3,103,000,000 (31.12.2012: approximately HK$2,990,756,000) respectively, were pledged to secure general banking facilities granted to the Group or borrowings of the Group.

In addition, the Group has pledged its entire equity interest in its wholly-owned subsidiary, New China IQ Limited, Dynamic Progress Development Limited and Harbin Dynamic Global Property Company Limited, to secure banking facilities granted to the Group for the year ended 31 December 2011. In 2012, the pledged equity interest of Dynamic Progress Development Limited and Harbin Dynamic Global Property Company Limited were discharged.

BUSINESS REVIEW AND PROSPECTS

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

For the six months ended 30 June 2013, the Group recorded a turnover of HK$14,170,000, representing a modest increase of 6% from HK$13,364,000 for the corresponding period last year.

The Group's unaudited consolidated loss for the period under review amounted to HK$184,637,000 (loss for the six months ended 30 June 2012: HK$105,234,000). The increase in the loss of the current period was mainly attributable to the decrease in fair value on investment properties.

The Group's steady income during the period included rental income from the Group's Harbin mall in the amount of HK$9,605,000 (six months ended 30 June 2012: HK$9,562,000) and a royalty fee income from the hotel management right in relation to Xiang Quan Hotel in the amount of HK$4,353,000 (six months ended 30 June 2012: HK$3,704,000).

While the Harbin mall has been generating long-term steady rental income for the Group, the Company intends to capitalise the capital gain of the mall in a bid to adjust its portfolio. Negotiation is under way for the disposal of the mall. If the disposal materialises, the Group will target other investment opportunities with higher growth potential.

Due to unforeseen delay of some surrounding public works, the official opening of the Group's flagship mall in Chongqing has experienced some degree of delay as well. The mall has now been open for trial run and it is expected a full scale operation will follow soon. The project will become the Group's main income generator in future.

ASSETS AND LIABILITIES

As at 30 June 2013, the Group had total liabilities of about HK$1,897,496,000, of which approximately HK$108,585,000 and HK$5,436,000 were bank loans and other borrowings repayable within the next 12 months respectively.

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

As at 30 June 2013, the Group's current assets and current liabilities were HK$127,170,000 and HK$456,701,000 respectively.

As at 30 June 2013, main charges on assets of the Group were leasehold land and buildings, investment properties and bank balances of approximately HK$29,676,000, HK$3,103,000,000 and HK$138,000 respectively. Moreover, the equity interests of a subsidiary was also pledged.

The Group's assets/liabilities ratio is calculated on its total liabilities divided by total assets. As at 30 June 2013, the ratio was 56.7%.

Details of the contingent liabilities are provided in note 21.

As at 30 June 2013, the Group had capital commitments of approximately HK$15,600,000.

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

EXCHANGE RISK

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

HUMAN RESOURCES

The Group has a total of approximately 250 employees, who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to staff from time to time.

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

As at 30 June 2013, the interests of directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by our Company pursuant to Section 352 of the SFO, or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, were as follows:

(a) Interest in Shares:

Name of Director	Type of interests	Number of shares held	Percentage of interest
Mr. Liang Wenguan ("Mr. Liang")	Personal	5,606,969,292 (L)	47.35%
	Interest of controlled corporation *(Note 1)*	1,020,549,171 (L)	8.62%
	Total	**6,627,518,463 (L)**	**55.97%**

(L) denotes long position

Note 1: The Shares were held by Madex International Company Limited, a company which is 100% owned by Mr. Liang.

(b) Interest in underlying shares:

Name of Director	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Liang	Beneficial	Convertible Notes *(Note 2)*	1,796,015,625 (L)	15.17%

(L) denotes long position

Note 2: Pursuant to a very substantial acquisition and connected transaction as detailed in a circular of the Company dated 25 May 2011, the Company will, subject to the fulfillment of certain conditions, allot a maximum of 5,721,961,219 convertible shares (under convertible notes in the principal amount of HK$732,411,036.12) to Profit China Investment Development Limited ("Profit China"), which is 100% held by Ms. Tam Ping Foon Calana in trust for Mr. Liang. As at 30 June 2013, the outstanding principal amount of convertible notes held by Profit China was HK$229,890,000 (representing 1,796,015,625 convertible shares).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At as 30 June 2013, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of substantial shareholder	Type of interests	Number of shares held	Percentage of interest
China International Capital Corporation Limited	Corporation *(Note 1)*	1,467,440,000 (L)	12.39%

(L) denotes long position

Note 1: The Shares were held by China International Capital Corporation Hong Kong Securities Limited, a company which is 100% owned by China International Capital Corporation (Hong Kong) Limited and which is 100% owned by China International Capital Corporation Limited.

As at 30 June 2013, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

During the Period, no share options have been granted nor outstanding pursuant to the share option scheme adopted at the annual general meeting of the Company held on 23 June 2011.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013 except for certain deviations as follows:

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. Since the resignation of Mr. Zhong Guoxing on 27 June 2012, the Company has not appointed a chief executive officer. During the six months ended 30 June 2012 decisions were made collectively by the Executive Directors. The Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

CORPORATE GOVERNANCE *(continued)*

Appointments, Re-election and Removal of Directors

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

AUDIT COMMITTEE

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

The unaudited interim results for the period ended 30 June 2013 have been reviewed by the Audit Committee before recommendation to the Board for approval.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

By Order of the Board
Liang Wenguan
Chairman & Executive Director

Hong Kong, 8 August 2013