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**CAPITAL
VC LIMITED**

首都創投有限公司

Capital VC Limited
首都創投有限公司

*(Incorporated in the Cayman Islands with limited liability
and carrying on business in Hong Kong as CNI VC Limited)*
(Stock Code: 02324)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

The board of directors (the “Board”) of Capital VC Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2010 (the “Period”). The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2010

		Six months ended	
		31 December	
		2010	2009
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$	HK\$
Turnover	4	20,696,021	20,177,573
Other income		991,710	2,504,927
Administrative expenses		(4,606,233)	(6,202,011)
Finance costs		(2,023,700)	(577,212)
Share of result of an associate		25,461,308	19,010,765
Profit before tax	6	40,519,106	34,914,042
Income tax	7	–	–
Profit for the Period attributable to equity holders of the Company		<u>40,519,106</u>	<u>34,914,042</u>
Dividend	8	–	–
Earnings per share	9		
– basic		0.1252	1.3240
– diluted		N/A	N/A

There was no other comprehensive income during the Period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

		31 December 2010 (unaudited) <i>HK\$</i>	30 June 2010 (audited) <i>HK\$</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment	10	1,884,183	987,277
Interest in an associate	11	74,799,900	49,338,592
Available-for-sale investments	12	58,249,017	58,249,017
		134,933,100	108,574,886
CURRENT ASSETS			
Available-for-sale investments	12	63,056,070	63,056,070
Financial assets at fair value through profit or loss	13	127,745,385	56,632,226
Loan receivables		10,000,000	10,000,000
Prepayments, deposits and other receivables		51,404,073	58,948,774
Amounts due from investee companies		787,384	2,313,060
Amount due from an associate	11	38,375,000	30,220,000
Bank balances and cash		24,079,790	26,219,940
		315,447,702	247,390,070
CURRENT LIABILITIES			
Other payables and accruals		64,534,119	35,384,873
Amounts due to directors		1,358,418	1,101,884
Tax payable		–	568,702
Debentures	15	–	1,000,000
Obligations under finance leases – due within one year		225,336	452,906
		66,117,873	38,508,365
NET CURRENT ASSETS		249,329,829	208,881,705
TOTAL ASSETS LESS CURRENT LIABILITIES		384,262,929	317,456,591

		31 December	30 June
		2010	2010
		(unaudited)	(audited)
	<i>Notes</i>	HK\$	HK\$
CAPITAL AND RESERVES			
Share capital	14	38,949,218	31,508,218
Reserves		345,313,711	285,890,657
		<u>384,262,929</u>	<u>317,398,875</u>
Total equity attributable to equity holders of the Company		<u>384,262,929</u>	<u>317,398,875</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		–	57,716
		<u>–</u>	<u>57,716</u>
		<u>384,262,929</u>	<u>317,456,591</u>
Net asset value per share		<u>0.9866</u>	<u>1.0074</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Share option reserve <i>HK\$</i>	Investments revaluation reserve <i>HK\$</i>	Retained profits/ (Accumulated losses) <i>HK\$</i>	Total Equity Attributable to equity holders of the Company <i>HK\$</i>
At 1 July 2010 (audited)	31,508,218	229,178,977	1,253,060	56,038,087	(579,467)	317,398,875
Total comprehensive income for the Period	–	–	–	–	40,519,106	40,519,106
Issue of ordinary shares by placement	6,491,000	16,227,500	–	–	–	22,718,500
Share issue expenses	–	(492,752)	–	–	–	(492,752)
Share option scheme						
– proceeds from shares issued	950,000	3,169,200	–	–	–	4,119,200
– transfer to share premium	–	668,578	(668,578)	–	–	–
At 31 December 2010 (unaudited)	<u>38,949,218</u>	<u>248,751,503</u>	<u>584,482</u>	<u>56,038,087</u>	<u>39,939,639</u>	<u>384,262,929</u>
At 1 July 2009 (audited)	25,782,218	220,557,290	–	52,147,348	(49,153,971)	249,332,885
Total comprehensive income for the Period	–	–	–	–	34,914,042	34,914,042
Issue of ordinary shares by placement	5,156,000	7,218,400	–	–	–	12,374,400
Share issue expenses	–	(633,119)	–	–	–	(633,119)
At 31 December 2009 (unaudited)	<u>30,938,218</u>	<u>227,142,571</u>	<u>–</u>	<u>52,147,348</u>	<u>(14,239,929)</u>	<u>295,988,208</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2010

	Six months ended 31 December	
	2010	2009
	(unaudited)	(unaudited)
	HK\$	HK\$
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>(19,112,251)</u>	<u>5,024,268</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>(8,101,687)</u>	<u>10,881,286</u>
NET CASH FROM FINANCING ACTIVITIES	<u>25,073,788</u>	<u>5,426,070</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,140,150)</u>	<u>21,331,624</u>
CASH AND CASH EQUIVALENTS AT 1 JULY	<u>26,219,940</u>	<u>1,639,410</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Represented by:		
Bank balances and cash	<u><u>24,079,790</u></u>	<u><u>22,971,034</u></u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2010

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suite 7601B, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These condensed consolidated interim financial information are presented in Hong Kong dollars, unless otherwise stated.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The Interim Financial Statements should be read in conjunction with the 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2010.

3. ACCOUNTING POLICIES

The accounting policies applied are substantially consistent with those of the 2010 annual financial statements, as described in those annual financial statements.

The Group has not applied the following new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9, "Financial instruments" addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

HKAS 24 (Revised) "Related party disclosures" supersedes HKAS 24 "Related party disclosures" issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted.

4. TURNOVER

Turnover represents the amounts received and receivable on investments and net gains on financial assets at fair value through profit or loss (“FVTPL”) during the Period as follows:

	Six months ended	
	31 December	
	2010	2009
	(unaudited)	(unaudited)
	HK\$	HK\$
Turnover		
Net gains on financial assets at FVTPL	20,039,232	20,156,481
Dividend income from investment in listed securities	–	20,763
Interest income	656,789	329
	<u>20,696,021</u>	<u>20,177,573</u>

5. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The chief operating decision maker has been identified as the board of directors (the “Board”). The Board assesses the operating segments using a measure of operating profit. The Group’s measurement policies for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adopting of HKFRS 8, based on the internal financial information reported to the Board for decisions about resources allocation to the Group’s business components and review of these components’ performance the Group has identified only one operating segment being investment business.

The principal activity of the Group is investing in listed and unlisted companies. The Group’s operating and reportable segments under HKFRS 8 are therefore as follows:

Financial assets at FVTPL	–	Investments in securities listed on Hong Kong Stock Exchange.
Available-for-sale investment	–	Investments in unlisted securities
Associate	–	Investments in an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

6. PROFIT BEFORE TAX

Six months ended	
31 December	
2010	2009
(unaudited)	(unaudited)
HK\$	HK\$

The Group's profit before tax has been arrived at after charging (crediting):

Total staff costs (including directors' remuneration)	1,358,668	2,158,175
Depreciation on plant and equipment	575,457	612,881
Operating lease charges on rented premises	781,765	629,207
Gain on disposal of plant and equipment	–	(65,000)
Interest on borrowings	2,023,700	577,212
Donation	408,000	495,800
	<u> </u>	<u> </u>

7. INCOME TAX

Hong Kong profits tax has not been provided in the Interim Financial Statements as the Group has no assessable profit derived from its operation for the Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

At the end of the reporting period, the Group has unused tax losses available to set off against future profits. No deferred tax asset in respect of tax losses has been recognized in the Interim Financial Statements of the Group due to the unpredictability of future profits streams. The tax losses, subject to the agreement with the Hong Kong Inland Revenue Department, will be carried forward indefinitely.

8. DIVIDEND

The directors did not recommend the payment of an interim dividend (2009: Nil).

9. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the Group's profit attributable to the equity holders of the Company for the Period of HK\$40,519,106 (2009: HK\$34,914,042).

The basic earnings per share is based on the weighted average number of 323,597,394 (2009: 26,370,674) ordinary shares in issue for the Period.

There was no dilution effect on the basic earnings per share for the six months ended 31 December 2010 and 2009 as there were no dilutive shares outstanding during the six months ended 31 December 2010 and 2009.

10. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment for an amount of approximately HK\$1,742,363 (2009: HK\$52,719). The carrying amount of assets held under finance leases of the Group as at 31 December 2010 amounted to approximately HK\$NIL (30 June 2010: HK\$451,269).

11. INTEREST IN AN ASSOCIATE

	31 December 2010 (unaudited) HK\$	30 June 2010 (audited) HK\$
Cost of investment in an unlisted associate	4,500,000	4,500,000
Share of post-acquisition profit	70,299,900	44,838,592
	74,799,900	49,338,592
Amount due from an associate	38,375,000	30,220,000

The amount due from an associate was unsecured, interest-free and repayable on demand.

As at 31 December 2010, the Group has interests in the following associate:

Name of associate	Form of business structure	Class of shares held	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Group	Principal activities
CNI Bullion Limited	Incorporated	Ordinary share	Hong Kong	HK\$15,000,000	30%	Provision of services on trading of gold in Hong Kong gold market

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2010 (unaudited) HK\$	30 June 2010 (audited) HK\$
Unlisted equity securities, at fair value	121,305,087	121,305,087
Analyzed for reporting purposes as:		
Current	63,056,070	63,056,070
Non-current	58,249,017	58,249,017
	121,305,087	121,305,087

The unlisted equity securities represent investments in private entities.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2010 (unaudited) HK\$	30 June 2010 (audited) HK\$
Listed equity securities held for trading, at fair value	<u>127,745,385</u>	<u>56,632,226</u>

The fair value of the Group's equity investments at fair value through profit or loss was determined based on the quoted market bid prices available on the relevant exchanges.

14. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
At 1 July 2010 and 31 December 2010		
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
At 1 July 2010		
Ordinary shares of HK\$0.1 each	315,082,177	31,508,218
Issue of shares by placement (<i>Note (a)</i>)	64,910,000	6,491,000
Issue of shares by exercise of share options (<i>Note (b)</i>)	9,500,000	950,000
At 31 December 2010	<u>389,492,177</u>	<u>38,949,218</u>

Notes:

- (a) Pursuant to a placing agreement signed on 1 December 2010, 64,910,000 ordinary shares of HK\$0.1 each were placed at HK\$0.35 per share on 22 December 2010.
- (b) 9,500,000 share options were exercised which resulted in 9,500,000 ordinary shares of HK\$0.1 each issued during the Period.

15. DEBENTURES

As at 30 June 2010, the amounts represented unlisted debentures issued to an independent third party. They are unlisted, interest bearing at 12% per annum and repayable within one year. The debentures have been fully repaid during the Period.

All debentures are denominated in Hong Kong dollars.

16. RELATED PARTY AND CONNECTED TRANSACTION

- (a) During the Period, significant transactions with related parties and connected parties are as follows:

		Six months ended	
		31 December	
		2010	2009
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$	HK\$
Quidam Assets Limited (“Quidam”)	(i)		
Interest income		400,000	400,000
Tripod Management Limited (“Tripod”)	(ii)		
Investment management fee		110,000	455,000
QF Alpha (Hong Kong) Limited	(iii)		
Professional service income		120,000	340,000
China Private Equity Investment Holdings Limited	(iii)		
Professional service income		780,000	1,020,000

- (b) Period end balance with related parties and connected parties:

		As at	
		31 December	30 June
		2010	2010
		(unaudited)	(audited)
	<i>Note</i>	HK\$	HK\$
Mr. Chui Tak Keung, Duncan (“Mr. Chui”), an executive director of the Company	(iv)		
Amounts due to		1,086,831	698,300
Mr. Yau Chung Hong (“Mr. Yau”), an executive director of the Company	(v)		
Amounts due to		271,587	43,584
Quidam	(i)		
Loan advance to		10,000,000	10,000,000
Orbrich Finance Group Limited (“Orbrich Finance”)	(vi)		
Loan advance to		220,000	220,000
Amounts due from		716,466	170,361
UCCTV	(vii)		
Amounts due from		716,808	1,001,808

- (c) Compensation of key management personnel. The remuneration of directors and other members of key management during the Period was as follows:

	Six months ended	
	31 December	
	2010	2009
	(unaudited)	(unaudited)
	HK\$	HK\$
Short-term benefits	1,185,000	1,687,000
Post-employment benefits	12,000	12,000
	<u>1,197,000</u>	<u>1,699,000</u>

Notes:

- (i) The Group had 18.25% equity interest in Quidam at 31 December 2010. The term loan is unsecured and bears interest at 8% per annum.
- (ii) Pursuant to an investment management agreement dated 17 May 2007 entered into between the Company and Tripod, Tripod agreed to provide the Company with investment management services (excluding general administrative services) commencing on 17 May 2007.
- (iii) Mr. Chui had beneficial interests in these companies. Professional service income from these companies was charged at a negotiated value.
- (iv) The amounts due to Mr. Chui are unsecured, interest-free and repayable on demand.
- (v) The amounts due to Mr. Yau are unsecured, interest-free and repayable on demand.
- (vi) The Group had 18.25% equity interest in Quidam which holds 84% equity interest in Orbrich Finance at 31 December 2010. The loan is unsecured and bears interest at 8% per annum for the period from 1 July 2010 to 31 December 2010. The amounts due are unsecured, interest-free and repayable on demand.
- (vii) The Group had 20% equity interest in UCCTV at 31 December 2010. The amounts due are unsecured, interest-free, and repayable on demand.

17. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its offices, directors' quarters and office equipment under operating lease arrangements. Leases are negotiated for a term ranging from one to three years.

As at 31 December 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2010 (unaudited) HK\$	30 June 2010 (audited) HK\$
Within one year	3,311,840	1,100,000
In the second to fifth years, inclusive	7,059,835	–
	<u>10,371,675</u>	<u>1,100,000</u>

18. PLEDGE OF ASSETS

The Group has pledged its plant and equipment with carrying value of HK\$nil for the finance lease and financial assets at fair value through profit or loss, which are approximately HK\$127,745,000 to secure margin financing facilities obtained from regulated securities dealers. As at 31 December 2010, these facilities have been utilised up to the extent of HK\$45,027,000.

19. CONTINGENT LIABILITIES

The Company and Longlife Group Holdings Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 31 December 2010, the maximum liabilities of rental and corresponding administrative charges of the Company due to default of payment of Longlife Group Holdings Limited would be HK\$3,866,000.

20. SUBSEQUENT EVENT

The Company proposed to raise funds of approximately HK\$58.4 million to HK\$63.9 million before expenses by way of the rights issue. Details are referred to the Company's announcement dated 12 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 December 2010 (the “Period”), the Group recorded a turnover of HK\$20,696,021 (2009: HK\$20,177,573) and a profit for the Period attributable to equity holders of the Company of HK\$40,519,106 (2009: HK\$34,914,042). The increase in the profit attributable to the equity holders of the Company in the current period is principally attributable to the improvement in the associates’s performance. The Group’s share of result of the associate in the current period increased by approximately HK\$6 million as compared to that in the corresponding period of last year.

The net asset value (“NAV”) per share of the Group was HK\$0.9866 as at 31 December 2010. This represents a slight decrease of 2.1% in the NAV over the Period.

Business Review and Prospect

In the wake of the global financial crisis, governments all have rapidly implemented various responsive measures, leading to gradual economic recovery around the world. Suffering from lesser impact from the crisis, China has remained its sustainable growth in economy. The stabilizing economic policies adopted by the Chinese government have further strengthened the investors’ confidence. Backed by motherland and taking advantages of many favourable factors, Hong Kong has experienced influx of funds, resulting in boom in the stock market. Despite modest fluctuations, the six months ended 31 December 2010 saw a gain of over 2,000 points in the Hang Seng Index with active trading.

During the six months ended 31 December 2010, the Group has actively adjusted its investment strategy succeeded in contraction in profit generating and bringing encouraging results to its shareholders. Considering the flexibility of the investment and developments in financial markets, the Group has been involved in reorganizing investment priorities, dedicated more resources and attention on our listed equities portfolio in Hong Kong in the first half of this fiscal year. In addition, the Group also systematically reduced the financing activities on new private equity investments.

To enhance our capital and shareholder bases, improve the Group’s competitiveness as well as participate in diversified high quality projects, the Group obtained net proceeds of approximately HK\$22.17 million from a placing exercise in December 2010. With the injection of new capital, the Group will continue to make more sizeable new investments with attractive returns particularly in the PRC. Apart from listed securities in Hong Kong, the Group has also planned to use the proceeds on sunrise industries including projects related to China natural resources, green energy and operation of cemetery and funeral services which has broad prospects and is actively promoted by the Chinese government.

Looking forward, we expect that global economy will remain on a solid upward trend, and the Hong Kong stock market will remain bullish in the foreseeable future. Riding on the wealth of experience of our management team in China and local markets, we are full of confidence for the future. We will persistently promote our portfolio companies to perform to their full potential. Meanwhile, with our ability in sourcing quality deals, mobilizing management and employing operations resources, the Group will also pursue business opportunities with high potential and continue to optimize the investment portfolio so as to enhance the efficiency of capital utilization massively, and tapping more fruitful returns for our shareholders.

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

The Group still maintain a healthy statement of financial position as at 31 December 2010, though the liquidity position is weakened as compared to the situation as at 30 June 2010. The Group's bank balances as at 31 December 2010 amounted to approximately HK\$24,080,000 (As at 30 June 2010: approximately HK\$26,220,000) which represented approximately 7.6% (As at 30 June 2010: approximately 10.6%) of the Group's total current assets. Therefore, the Board consider to issue the rights to subscribe the Company's shares subsequent to 31 December 2010, so as to strengthen the liquidity of the Group to satisfy the Group's expansion in its operating scale. Detail of the rights issue are stated in the Company's announcement dated 12 January 2011.

As at 31 December 2010, the Group's gearing ratio was 14.7% (30 June 2010: 10.8%), which is calculated on the Group's total liabilities divided by its total assets. The Group had no material capital commitment as at 31 December 2010. In connection with the contingent liabilities of the Company, please refer to note 18 to the Interim Financial Statements.

FOREIGN CURRENCY EXPOSURE

The Company's investments may be denominated in currencies other than Hong Kong dollar, and thus is exposed to fluctuation of the exchange rate. It is expected that a portion of the distributions and payments to the Company from the invested companies will be denominated in Renminbi.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period the Company had not made any significant acquisition and disposal of subsidiaries.

EMPLOYEES

As at 31 December 2010, the Company had 2 employees, excluding directors. The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

During the six months ended 31 December 2010, the Company placed 64,910,000 new shares at HK\$0.35 each per share and 9,500,000 share option were exercised. The number of the Company's issued shares increased from 315,082,177 to 389,492,177 during these six months.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 December 2010, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Name	Number of ordinary shares held	Shareholding percentage
Mr. Yau Chung Hong (<i>Note</i>)	34,250,000	8.79

Note:

Mr. Yau Chung Hong, an executive director of the Company, was personally interested in 30,850,000 shares and deemed to be interested in 3,400,000 shares by virtue of his control in Sellwell Enterprises Limited.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 31 December 2010.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the parties (other than the directors and chief executive of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Name	Number of ordinary shares held	Shareholding percentage
Value Guardian Investment Fund	23,000,000	5.91

Save as disclosed above, as at 31 December 2010 the Directors were not aware of any other person (other than the directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the then shareholders of the Company on 30 September 2003, the Company adopted a share option scheme (the “Scheme”). Under the Scheme, the Directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive directors (including independent non-executive directors), any supplier of goods or services, any customer and any person or entity that provides research, development or other technological support to the Company to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders’ approval.

During the Period, no share options have been granted pursuant to the Scheme.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

Mr. Chan Ming Sun, Jonathan holds a position as an investment manager of Go-To-Asia Investment Limited. The business of Go- To-Asia Investment Limited is deemed to constitute a competing business to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has repurchased, redeemed or sold any of the Company’s listed securities during the six months ended 31 December 2010.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Kwan, Mr. Chan Ming Sun, Jonathan and Mr. Shiu Siu Tao with written terms of reference in compliance. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as 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.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the Period, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the “CGP Code”) contained in Appendix 14 to the Listing Rules, except the deviations from the Code as described below:

The existing Articles governing the retirement of Directors deviate from the CGP Code provisions in the following aspects: (i) unlike the other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. The Board will review the above-mentioned practice from time to time and consider amending the Articles when necessary.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Decisions of the Company are made collectively by the Executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to reelection. Currently all Independent Non-executive Directors have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

On Order of the Board
Yau Chung Hong
Executive Director

Hong Kong, 22 February 2011

As at the date of this announcement, the Board comprises executive directors Mr. Yau Chung Hong, Mr. Chui Tak Keung, Duncan, Mr. Kong Fanpeng and Dr. Liu Ta-pei; and independent non-executive directors Mr. Lam Kwan, Mr. Chan Ming Sun, Jonathan and Mr. Shiu Siu Tao.