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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-Executive Directors

Mr. Lau Siu Ki
Mr. Ma Wah Yan *(appointed on 08.03.2011)*
Mr. Zhang Jian
Mr. Lo Wai On *(resigned on 31.01.2011)*

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Robertsons
Fred Kan & Co.
P.C. Woo & Co.

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Societe Generale Bank & Trust
Bank of Communication Co., Ltd
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

AMERICAN DEPOSITARY RECEIPTS

The Bank of New York Mellon
Depositary Receipts Division
101 Barclay Street
22/F., West New York
NY 10286
U.S.A.

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., China Online Centre
333 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN BERMUDA

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke, HM 08, Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

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WEBSITE

http://www.colcapital.com.hk
http://www.irasia.com/listco/hk/colcapital/

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I have the pleasure to present the financial results of COL Capital Limited (the "Company"), together with its subsidiaries, (the "Group") for the eighteen months period ended 30 June 2011.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 11 February 2011, the Company changed its financial year end date from 31 December to 30 June to align itself with that of its principal listed associate which is the Group's substantial investment. Accordingly, the current financial year cover eighteen months period from 1 January 2010 to 30 June 2011 with comparatives covering twelve months period from 1 January 2009 to 31 December 2009 ("FY2009").

FINANCIAL RESULTS

For the eighteen months period ended 30 June 2011, the Group recorded a total revenue of HK$2,234,930,000 (FY2009: HK$1,115,002,000) and achieved a net profit attributable to shareholders of HK$513,134,000 (FY2009: HK$1,025,401,000). Earnings per share (Basic) of the Group for the eighteen months period ended 30 June 2011 was HK$0.92 (FY2009: HK$1.97).

The Group's net asset value per share as at 30 June 2011 was HK$4.89 (31.12.2009: HK$3.56).

DIVIDENDS

The Directors recommend the payment of a final dividend of HK$0.04 per share (FY2009: HK$0.04 per share), amounting to approximately HK$22,016,000 (FY2009: HK$22,268,000), to shareholders whose names appear on the register of members of the Company on 8 December 2011.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company, dividend warrants are expected to be dispatched on or before 5 January 2012.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Wednesday, 30 November 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 28 November 2011 to Wednesday, 30 November 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 November 2011.

The proposed final dividend is subject to approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 8 December 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 6 December 2011 to Thursday, 8 December 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Monday, 5 December 2011. The payment of final dividend will be made on or about Thursday, 5 January 2012.

CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the eighteen months period ended 30 June 2011, the disruption to the global supply chain caused by the tsunami in Japan in March 2011, the slowdown of recovery and the political brinkmanship and paralysis seen in the U.S. and the European sovereign debt crisis had renewed fears of further adverse impact on an already fragile global economic recovery. Added to the gloomy situation was the escalation of geo-political tensions in the Arab world and the tightening of monetary policy in the emerging economies to contain high inflation and the collateral damages to their financial systems.

The uncertain outlook continued to weigh on investor confidence causing turbulences in financial markets which eliminated the gains achieved by the Group's investment portfolio in early 2010. Against this backdrop of volatile market environment, the Group's business in trading and investment in financial securities recorded a turnover of HK$2,126,809,000 (FY2009: HK$1,079,219,000) and a decreased profit of HK$113,634,000 (FY2009: HK$890,896,000), mainly due to the mark-to-market losses from change in fair value of investments held for trading of HK$101,564,000 (FY2009: gain of HK$523,625,000) and loss on disposal of available-for-sale investments of HK$4,018,000 (FY2009: gain of HK$119,344,000). As at 30 June 2011, the Group maintained a portfolio of available-for-sale investments of HK$671,511,000 (31.12.2009: HK$392,264,000), loan notes of HK$56,692,000 (31.12.2009: nil) and a trading portfolio of HK$1,295,369,000 (31.12.2009: HK$1,525,691,000).

During the period under review, the Group's money lending business delivered a turnover of mainly interest income of HK$103,983,000 (FY2009: HK$32,425,000) and a profit of HK$97,945,000 (FY2009: HK$33,216,000) under a low interest rate but generally tightened credit environment. As at 30 June 2011, the Group's loan portfolio was maintained at HK$369,843,000 (31.12.2009: HK$389,425,000).

The Group's investment properties located in Hong Kong and China received a rental income of HK$4,138,000 (FY2009: HK$3,358,000) and a profit of HK$44,522,000 (FY2009: HK$21,132,000) mainly attributed to the gain from fair value changes on investment properties, from properties revaluation, of HK$41,891,000 (FY2009: HK$18,570,000). As at 30 June 2011, the Group's investment properties portfolio amounted to HK$142,266,000 (31.12.2009: HK$100,375,000).

There was no profit for the period from discontinued operation (FY2009: HK$123,241,000).

PRINCIPAL ASSOCIATED COMPANIES

The share of profits of associates of the Group for the eighteen months period ended 30 June 2011 was HK$228,215,000 (FY2009: HK$3,365,000) following the Group's further acquisitions and subscription of shares in its associates. As at 30 June 2011, the Group's investment in associates was HK$1,559,656,000 (31.12.2009: HK$5,368,000).

There was no gain on disposal of an associate (FY2009: HK$10,756,000).

CHAIRMAN'S STATEMENT

Mabuhay Holdings Corporation ("MHC") – approximately 34% owned by the Group

MHC is a company incorporated in the Philippines with its common shares listed on the Philippine Stock Exchange and is engaged in investment in securities, properties, and other investments in the Philippines. MHC's major asset is its approximately 40% interest in Interport Resources Corporation ("IRC"), whose common shares are also listed on the Philippine Stock Exchange. IRC is principally engaged in real estate development and is now concentrating its efforts and resources to developing two real estate projects, inclusive of a socialize housing project (under joint venture and in initial phase) and a condominium project (in design phase), in the Binangonan area of Rizal Province close to Metro-Manila in the Philippines.

Extra Earn Holdings Limited ("Extra Earn") – 40% owned by the Group

In June 2010, the Group subscribed for 180,000 new shares of Extra Earn for a cash consideration of US$18,000,000 which resulted in Extra Earn becoming a 40% associate of the Group with a gain of HK$75,827,000 from the discount on acquisition recorded in the period under review. The subscription was part of the allotment and issue of 300,000 new shares of Extra Earn for cash in aggregate of US$30,000,000 for Extra Earn's general investment, acquisition and working capital purposes. Extra Earn is an investment holding company and through its PRC subsidiaries engaged in urban infrastructure development, property development, hospital ownership and operations, and other investments in the PRC. In respect of hospital ownership and operation, it consists of the Nanjing Tongren Hospital（南京同仁醫院）first opened in 2007 with 1,200 beds and the Kunming Tongren Hospital（昆明同仁醫院）first opened in 2010 with 500 beds, both of which are integrated hospitals offering a wide range of comprehensive clinical and healthcare services.

APAC Resources Limited ("APAC") – approximately 27.7% owned by the Group

For the eighteen months period ended 30 June 2011, APAC recorded a revenue of HK$1,147,494,000 (FY2009: HK$301,420,000) and profit attributable to shareholders of HK$1,462,069,000 (FY2009: HK$372,603,000) mainly driven by attributable profits from its listed associates, namely Mount Gibson Iron Limited ("MGX") and Metals X Limited ("MLX") and contributions from its iron trading and securities investment and trading businesses. MGX is an Australian listed iron ore mining company with current production capacity of 7 million tonnes per year from its iron ore mines. MLX is an Australian-based emerging diversified resources group with a primary focus on tin via its 50% interest in the producing Renison mine in Tasmania and nickel via its world scale Wingellina nickel development.

In April 2011, the Company was approached by a purchaser for the possibility of acquiring the underlining shares of APAC at a price with significant premium as compared to the recent market prices of shares of APAC. Given that the shares of APAC had been trading at substantial discount to its net asset value and with no dividend payout for a prolonged period of time, the Group considered the prospective disposal as an exit opportunity with realized gain and good cash flow under the prevailing volatile financial markets. In May 2011, the Group seized the opportunity and entered into a sale and purchase agreement to dispose of the Group's entire interest in the underlining shares of APAC at a total consideration of HK$1,330,657,693 of which HK$1,100,000,000 would be settled in cash and HK$230,657,693 by way of promissory note ("Disposal"). The Disposal was duly approved by the shareholders of the Company at the special general meeting held on 9 August 2011. Completion of the Disposal is still subject to the fulfillment of certain conditions pursuant to the sale and purchase agreement. Further details of the Disposal are set out in the announcement and circular of the Company dated 24 May 2011 and 15 July 2011 respectively.

CHAIRMAN'S STATEMENT

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 30 June 2011, the Group's non-current assets of HK$2,375,180,000 (31.12.2009: HK$494,922,000) consisted of investment properties of HK$142,266,000 (31.12.2009: HK$100,375,000); property, plant and equipment of HK$4,994,000 (31.12.2009: HK$3,437,000); interests in associates of HK$1,559,656,000 (31.12.2009: HK$5,368,000) and available-for-sale investments of HK$668,264,000 (31.12.2009: HK$385,742,000). These non-current assets are principally financed by shareholders' fund. As at 30 June 2011, the Group had net current assets of HK$402,551,000 (31.12.2009: HK$1,759,081,000) and current ratio of 1.24 times (31.12.2009: 6.12 times), calculated on the basis of the Group's current assets over current liabilities.

During the period under review, as a result of further redemption by the Group, all outstanding principal of the Company's 9% unsecured three-year convertible bonds were fully repaid (31.12.2009: HK$218,096,000).

As at 30 June 2011, the total borrowings of the Group amounted to HK$1,470,792,000 (31.12.2009: HK$419,661,000) including current liabilities of other borrowings of HK$1,470,792,000 (31.12.2009: HK$201,565,000) and no non-current liabilities of convertible bonds (31.12.2009: HK$218,096,000). As at 30 June 2011, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, and bank balances and cash) over total equity, was 49.1% compared to 14.7% on 31 December 2009.

During the period under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, Taiwan Dollar, Renminbi and Malaysian Ringgit. Because of the short term nature, the Group did not actively hedge risks arising from its Australian Dollar, Renminbi and Malaysian Ringgit denominated assets and transactions. The exchange rate of the Taiwan Dollar was relatively stable during the period. The Group was not materially affected by its exposure to these currencies.

CHARGE ON GROUP ASSETS

As at 30 June 2011, the Group's investments held for trading of HK$1,198,601,000 (31.12.2009: HK$962,510,000), available-for-sale investments of HK$528,120,000 (31.12.2009: HK$240,227,000) and pledged bank deposits of HK$12,959,000 (31.12.2009: HK$9,151,000) were pledged to banks and securities brokerage houses to secure short term credit facilities granted to the Group.

EMPLOYEES

The Group had 16 employees as at 30 June 2011 (31 December 2009: 16). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

CHAIRMAN'S STATEMENT

PROSPECTS

Concerns over a prolonged slowdown in the U.S. economic recovery and sustainability of its fiscal position and political brinkmanship, the European sovereign risk evolving into a system-wide crisis and the possible adverse effects on the emerging markets will continue to influence market sentiments in the second half of 2011. The Group will remain cautious in its investment approach and strategy. However, with the value of assets dropping drastically across the board and companies becoming pessimistic about their future, the Group believes that there will be attractive investment opportunities available. The Group will continue to seek and identify such opportunities in China, Hong Kong and the Asia Pacific region to improve its financial performance and enhance value for shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during the period.

Chong Sok Un
Chairman

Hong Kong, 22 September 2011

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, M.H. aged 57, was appointed as executive director and chairman of the Company on 23 August 2002. Ms. Chong is also executive director and chairman of APAC Resources Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. She has been the chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations and Vice Chariman of the Hong Kong Federation of Fujian Associations Ladies Committee. She is now the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) and a member of Yan Oi Tong Advisory Board. Ms. Chong was the chairman of the 31st Term of the Board of Directors of Yan Oi Tong 2010-2011. She was a non-executive director of ChinaVision Media Group Limited from 25 June 2007 to 23 April 2009.

Dato' Wong Peng Chong, aged 67, was appointed as executive director of the Company on 15 March 2002. Dato' Wong is also a director of Mabuhay Holdings Corporation and Interport Resources Corporation, companies listed in The Philippine Stock Exchange, Inc..

Upon his graduation from the University of Malaya in 1967, Dato' Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. He was the vice-president of ChinaVision Media Group Limited from 4 July 2007 to 9 December 2009. He was also an executive director of Greenfield Chemical Holdings Limited from 13 October 2009 to 21 January 2010.

Mr. Kong Muk Yin, aged 45, was appointed as executive director of the Company on 13 May 2002. He is also an executive director of APAC Resources Limited. Mr. Kong was appointed as an executive director of ChinaVision Media Group Limited ("ChinaVision") on 4 July 2007 and was re-designated to non-executive director of ChinaVision on 30 December 2010. Mr. Kong is also a director of Mabuhay Holdings Corporation and Interport Resources Corporation, companies listed in the Philippine Stock Exchange, Inc.. He was also an executive director of Greenfield Chemical Holdings Limited from 13 October 2009 to 21 January 2010.

Mr. Kong was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, aged 53, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the Council of ACCA and a member of the Committee of the Hong Kong branch of ACCA. He was also the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is also the independent non-executive director of Binhai Investment Company Limited, Comba Telecom Systems Holdings Limited, TCL Communication Technology Holdings Limited, Foxconn International Holdings Limited, Samson Holding Ltd. and Embry Holdings Limited. He was an independent non-executive director of Greenfield Chemical Holdings Limited from 9 April 2002 to 11 June 2010, Proview International Holdings Limited from 1 September 2005 to 24 August 2010 and Carry Wealth Holdings Limited from 20 February 2002 to 13 July 2011.

Mr. Ma Wah Yan, aged 63, was appointed as independent non-executive director of the Company on 8 March 2011. Mr. Ma is the Precedent Partner of Messrs. Hobson & Ma, Solicitors & Notaries and Council Member of the Law Society of Hong Kong. He is also a Notary Public, a solicitor of the High Court of Hong Kong Special Administrative Region, the Supreme Court of England and Wales, the Supreme Court of the Republic of Singapore and the Supreme Court of the Australian Capital Territory. Mr. Ma is also an Alternate Director to Mr. Robert Eu of Eu Yan Sang Holdings Limited, a company listed in Singapore Exchange Limited.

Mr. Zhang Jian, aged 69, was appointed as independent non-executive director of the Company on 16 October 2006. He is a professional senior engineer in PRC. He is the Honorary Chairman of Xian University of Architecture & Technology Peking Alumni Association and the Outside Director of China National Building Material Group Corporation and also the Chairman of the Board of Sino-Mining International Investment Co., Ltd. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd..

DIRECTORS' REPORT

The Directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the eighteen months period ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the eighteen months period ended 30 June 2011 are set out in the consolidated income statement on pages 26 and 27.

The Directors recommended the payment of a final dividend of HK$0.04 per share to the shareholders on the register of members on 8 December 2011 amounting to HK$22,016,000, and the retention of the remaining profit for the eighteen months period of HK$493,280,000.

SHARE CAPITAL

Details of movements during the eighteen months period in the share capital of the Company are set out in note 30 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were revalued at 30 June 2011 and the resulting revaluation increase of HK$41,891,000 has been credited directly to the consolidated income statement.

The Group's buildings were revalued at 30 June 2011 and the resulting revaluation increase have been credited to the consolidated income statement and credited to the properties revaluation reserve of HK$45,000 and HK$1,900,000 respectively.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the eighteen months period are set out in notes 17 and 18 to the consolidated financial statements, respectively.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the period and up to the date of this report were:

Executive Directors:

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

DIRECTORS' REPORT

Independent Non-executive Directors:

Mr. Lau Siu Ki
Mr. Ma Wah Yan *(appointed on 8 March 2011)*
Mr. Zhang Jian
Mr. Lo Wai On *(resigned on 31 January 2011)*

In accordance with clauses 99 and 102 (A) of the Company's bye-laws, Ms. Chong Sok Un, Mr. Lau Siu Ki and Mr. Ma Wah Yan will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2011, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of the Company

	Number of ordinary shares of HK$0.01 each					Percentage of issued ordinary shares
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	
Ms. Chong Sok Un ("Ms. Chong")	–	–	390,325,707 (Note)	–	390,325,707	70.15%

Note: Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owns 390,325,707 ordinary shares of the Company. Ms. Chong maintains 100% benefical interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 390,325,707 ordinary shares of the Company.

DIRECTORS' REPORT

Save as disclosed above, as at 30 June 2011, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Chong Sok Un (Ms. Chong)	Held by controlled corporation (Note)	390,325,707	70.15%
China Spirit Limited ("China Spirit")	Held by controlled corporation (Note)	390,325,707	70.15%
Vigor Online Offshore Limited ("Vigor") (Note)	Beneficial owner (Note)	390,325,707	70.15%

Note: Vigor, a wholly-owned subsidiary of China Spirit, owns 390,325,707 ordinary shares of the Company. Ms. Chong maintains 100% benefical interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 390,325,707 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2011, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, the largest customer of the Group by itself and together with the next four largest customers accounted for about 24% and 45%, respectively, of the Group’s total revenue. The Group had no major suppliers due to the nature of principal activities of the Group.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the eighteen months period ended 30 June 2011, the Company repurchased a total of 412,000 ordinary shares in the capital of the Company on the Stock Exchange in the range from HK$1.42 to HK$1.50 per ordinary share for a total consideration of HK$604,600. The said shares were subsequently cancelled.

Out of 412,000 repurchased ordinary shares, 284,000 repurchased ordinary shares were cancelled during the period, and the remaining 128,000 repurchased ordinary shares were cancelled subsequent to the period end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit Shareholders as a whole in enhancing the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the eighteen months period ended 30 June 2011.

DONATIONS

During the period, the Group made donations amounting to HK$1,055,000.

DIRECTORS' REPORT

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chong Sok Un
Chairman

Hong Kong, 22 September 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. For the eighteen months period ended 30 June 2011, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP") listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for certain deviations as specified with considered reasons for such deviations as explained below. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-executive Directors

Mr. Lau Siu Ki
Mr. Ma Wah Yan *(appointed on 08.03.2011)*
Mr. Zhang Jian
Mr. Lo Wai On *(resigned on 31.01.2011)*

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practices under the Code on CGP for the Board to have at least one-third in number of its members comprising Independent Non-executive Directors.

The Independent Non-executive Directors possess appropriate professional qualifications or accounting or related financial management expertise. The Board has received from each Independent Non-executive Director an annual confirmation of his/her independence and considers that all the Independent Non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in pages 8 to 9 of this Annual Report.

CORPORATE GOVERNANCE REPORT

For the period from 1 January 2010 to 30 January 2011, the Independent Non-executive Directors of the Company were Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian. As Mr. Lo Wai On resigned as an Independent Non-executive Director of the Company on 31 January 2011, the Company had not been able to comply with the requirements of rule 3.10(1) (minimum of three Independent Non-executive Directors) of the Listing Rules (the said "Rule"). Following the appointment of Mr. Ma Wah Yan as an Independent Non-executive Director on 8 March 2011, the said Rule has been complied with.

During the eighteen months period ended 30 June 2011, 6 full board meetings were held and the attendance of each Director is set out as follows:

Name of Directors		**Number of board meetings attended**	**Attendance rate**
Ms. Chong Sok Un *(Chairman)*		5/6	83%
Dato' Wong Peng Chong		6/6	100%
Mr. Kong Muk Yin		6/6	100%
Mr. Lau Siu Ki		6/6	100%
Mr. Ma Wah Yan	*(appointed on 08.03.2011)*	1/1	100%
Mr. Zhang Jian		6/6	100%
Mr. Lo Wai On	*(resigned on 31.01.2011)*	5/5	100%

The schedule of board meetings for the eighteen months period ended 30 June 2011 is planned in the preceding year. At least 14 days notice of all board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all Directors at least 3 days before the date of every board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

CORPORATE GOVERNANCE REPORT

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Chairman and Chief Executive Officer

The Chairman of the Company is Ms. Chong Sok Un. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by separate individuals who have no relationship with each other, except as fellow Directors, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the function of the Chief Executive Officer is performed by the two Executive Directors, namely Dato' Wong Peng Chong who is in charge of day-to-day business operations of the Group and Mr. Kong Muk Yin who is in charge of finance and accounts aspect of the Group. The functions and responsibilities between the Chairman and the two Executive Directors performing the function of Chief Executive Officer are clearly segregated.

Appointment and Re-election of Directors

The Independent Non-executive Directors have been appointed for a specific term, subject to retirement by rotation and re-election at the annual general meeting (the "AGM") of the Company in accordance with the provision of the bye-laws of the Company (the "Bye-laws").

The code provision A.4.2 of the Code on CGP requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. The Company has fully complied with the code provision A.4.2 of the Code on CGP.

BOARD COMMITTEES

The Board establishes committees to assist it in carrying out its responsibilities. The Board has appointed 4 Board committees, viz, the Executive Committee, Investment Committee, Remuneration Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Executive Committee

The Executive Committee was established on 23 May 1998 with written terms of reference. The Committee is composed of the Chairman and two Executive Directors of the Board. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 6 meetings during the eighteen months period ended 30 June 2011.

Investment Committee

The Investment Committee was established on 2 February 2000 with written terms of reference. The Committee is composed of the Chairman and two Executive Directors of the Board. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. The investment committee met 19 times during the eighteen months period ended 30 June 2011.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with written terms of reference. The Committee comprises three Independent Non-executive Directors and two Executive Directors.

The code provision B.1.1 of the Code on CGP states that a majority of the members of the remuneration committee should be Independent Non-executive Directors.

For the period from 1 January 2010 to 30 January 2011, the Remuneration Committee of the Company comprised of two Executive Directors, namely Dato' Wong Peng Chong and Mr. Kong Muk Yin and three Independent Non-executive Directors, namely Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian. Due to the resignation of Mr. Lo Wai On as an Independent Non-executive Director and a member of Remuneration Committee of the Company on 31 January 2011, there were only four members in the Remuneration Committee i.e. two Executive Directors and two Independent Non-executive Directors and the Company technically deviated from the requirement as set out in the Code on CGP requiring a majority of the Remuneration Committee members being Independent Non-executive Directors.

Following the appointment of Mr. Ma Wah Yan as an Independent Non-executive Director and a member of Remuneration Committee of the Company on 8 March 2011, the aforesaid requirement has been complied with.

The meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the eighteen months period ended 30 June 2011. The attendance of each member is set out as follows:

Name of members	Number of meetings attended	Attendance rate
Mr. Lau Siu Ki *(Chairman)*	1/1	100%
Mr. Ma Wah Yan *(appointed on 08.03.2011)*	Not Applicable	Not Applicable
Mr. Zhang Jian	1/1	100%
Dato' Wong Peng Chong	1/1	100%
Mr. Kong Muk Yin	1/1	100%
Mr. Lo Wai On *(resigned on 31.01.2011)*	1/1	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meeting held during the eighteen months period ended 30 June 2011, the overall pay trend in Hong Kong of 2010 was reviewed and noted.

CORPORATE GOVERNANCE REPORT

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the Directors and senior management.

2. To review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments.

3. To ensure that the level of remuneration for Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

4. To ensure that no Director is involved in deciding his own remuneration.

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the AGM, either to fill a casual vacancy or as an addition to the existing Directors.

According to the Bye-Laws, notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company at least seven days before the date of the general meeting, or else no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting.

The period for lodgment of the notices referred to above will commence no earlier than the day after despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders to make an informed decision on their election has been set out in the circular regarding, inter alia, the securities repurchase mandate and notice of AGM (the "Securities Repurchase Circular").

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee of the Company comprises three Independent Non-executive Directors except for the period from 31 January 2011 to 7 March 2011.

For the period from 1 January 2010 to 30 January 2011, the Audit Committee members of the Company were Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian. As Mr. Lo Wai On resigned as the chairman of Audit Committee on 31 January 2011, the Company had not been able to comply with the requirement of rule 3.21 (minimum of three audit committee members with majority of Independent Non-executive Directors) of the Listing Rules (the said "Rule"). Following the appointment of Mr. Ma Wah Yan as a member of Audit Committee of the Company on 8 March 2011, the said Rule has been complied with.

The Audit Committee shall meet at least twice a year. 5 meetings were held during the period. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of members	Number of meetings attended	Attendance rate
Mr. Lau Siu Ki	5/5	100%
Mr. Ma Wah Yan *(appointed on 08.03.2011)*	Not Applicable	Not Applicable
Mr. Zhang Jian	5/5	100%
Mr. Lo Wai On *(resigned on 31.01.2011)*	4/4	100%

During the meetings held for the eighteen months period ended 30 June 2011, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the six months period ended 30 June 2010, for the twelve months period ended 31 December 2010 and for the eighteen months period ended 30 June 2011;

(ii) reviewed the effectiveness of internal control system;

(iii) reviewed the external auditor's statutory audit plan and engagement letter;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the eighteen months period ended 30 June 2011; and

(v) reviewed and recommended for approval by the Board the audit scope and fees for the eighteen months period ended 30 June 2011.

CORPORATE GOVERNANCE REPORT

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group.

2. To discuss with the external auditor the nature and scope of the audit.

3. To review the interim and annual financial statements before submission to the Board.

4. To discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss.

5. To review the external auditor's management letters and management's response.

6. To review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly.

7. To consider any findings of major investigations of internal control matters and management's response.

AUDITOR'S REMUNERATION

During the eighteen months period ended 30 June 2011 under review, the remuneration paid or payable to the Group's external auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	1,800
Non-audit services	1,203
	3,003

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Board is of the view that the system of internal controls in place for the eighteen months period ended 30 June 2011 under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Group's assets.

CORPORATE GOVERNANCE REPORT

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

b) The Audit Committee of the Company reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.

d) The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.

e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.

f) Every newly appointed Director was provided with a comprehensive handout detailing the responsibilities and duties of being a Director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a Director should aware and be informed on the first occasion of his appointment with the Company.

g) The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the eighteen months period ended 30 June 2011.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the eighteen months period ended 30 June 2011, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

COMMUNICATION WITH SHAREHOLDERS

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, circulars and announcements. Such information is also available on the Company's website.

The AGM provides a useful forum for shareholders to exchange views with the Board. At the Company's last AGM, Chairman of the Board as well as Chairman of the Audit Committee and Remuneration Committee were present to answer shareholders' questions.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

The Company's last AGM was held on 2 June 2010 and the Securities Repurchase Circular was sent to shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution.

The next AGM will be held on 30 November 2011, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

On behalf of the Board
COL Capital Limited

Chong Sok Un
Chairman

Hong Kong, 22 September 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF COL CAPITAL LIMITED
中國網絡資本有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COL Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 109, which comprise the consolidated statement of financial position as at 30 June 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2010 to 30 June 2011, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2011, and of the Group's profit and cash flows for the period from 1 January 2010 to 30 June 2011 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 September 2011

CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2010 to 30 June 2011

	NOTES	**1.1.2010 to 30.6.2011 HK$'000**	1.1.2009 to 31.12.2009 HK$'000
Revenue (excluding securities trading)	6	**214,010**	68,544
Gross proceeds from sale of investments held for trading		**2,020,920**	1,046,458
Total		**2,234,930**	1,115,002
Continuing operations:			
Revenue (excluding securities trading)	6	**214,010**	68,544
Other gains and losses	8	**206,983**	930,544
Other income	9	**30,401**	6,741
Administrative expenses		**(40,853)**	(24,940)
Finance costs	10	**(122,977)**	(52,603)
Share of profits of associates		**228,215**	3,365
Profit before taxation		**515,779**	931,651
Taxation	12	**(483)**	(13,858)
Profit from continuing operations		**515,296**	917,793
Discontinued operation:			
Profit for the year from discontinued operation	13	**–**	123,241
Profit for the period/year	14	**515,296**	1,041,034
Profit for the period/year attributable to:			
Owners of the Company			
– Profit for the period/year from continuing operations		**513,134**	1,012,021
– Profit for the period/year from discontinued operation		**–**	13,380
Profit for the period/year attributable to owners of the Company		**513,134**	1,025,401
Non-controlling interests			
– Profit for the period/year from continuing operations		**2,162**	4,061
– Profit for the period/year from discontinued operation		**–**	11,572

CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2010 to 30 June 2011

	NOTES	**1.1.2010 to 30.6.2011 HK$'000**	1.1.2009 to 31.12.2009 HK$'000
Profit for the period/year attributable to non-controlling interests		**2,162**	15,633
		515,296	1,041,034
Earnings per share	16		
From continuing and discontinued operations			
– Basic		**HK$0.92**	HK$1.97
– Diluted		**HK$0.92**	HK$1.24
From continuing operations			
– Basic		**HK$0.92**	HK$1.73
– Diluted		**HK$0.92**	HK$1.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2010 to 30 June 2011

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Profit for the period/year	**515,296**	1,041,034
Net gain on available-for-sale investments:		
Gain on fair value changes	**84,474**	163,485
Reclassification adjustments for the cumulative loss (gain) included in profit or loss upon disposal of available-for-sale investments	**4,018**	(119,344)
Reclassification adjustment upon impairment of available-for-sale investments	**7,173**	–
Share of changes in other comprehensive expense of associates	**(16,132)**	–
	79,533	44,141
Exchange difference arising on translation:		
Exchange gain arising from translation of foreign operation	**6,064**	452
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of an associate	**–**	(9,406)
Share of changes in other comprehensive income of associates	**161,903**	–
	167,967	(8,954)
Surplus on revaluation of leasehold land and buildings	**1,900**	410
Other comprehensive income for the period/year	**249,400**	35,597
Total comprehensive income for the period/year	**764,696**	1,076,631
Total comprehensive income attributable to:		
Owners of the Company	**762,534**	1,060,998
Non-controlling interests	**2,162**	15,633
	764,696	1,076,631

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30.6.2011 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Non-current assets				
Investment properties	17	**142,266**	100,375	103,105
Property, plant and equipment	18	**4,994**	3,437	3,090
Interests in associates	20	**1,559,656**	5,368	138,501
Available-for-sale investments	21	**668,264**	385,742	356,835
		2,375,180	494,922	601,531
Current assets				
Loan notes	19	**56,692**	–	–
Available-for-sale investments	21	**3,247**	6,522	124,055
Investments held for trading	22	**1,295,369**	1,525,691	818,971
Debtors, deposits and prepayments	23	**229,263**	28,229	36,648
Amount due from an associate	20	**–**	30,845	–
Loans receivable	24	**369,843**	389,425	164,875
Taxation recoverable		**4,157**	2,025	4,050
Pledged bank deposits	25	**12,959**	9,151	1,167
Bank balances and cash	25	**94,895**	110,612	66,279
		2,066,425	2,102,500	1,216,045
Current liabilities				
Creditors and accrued charges	26	**21,899**	20,915	70,011
Customers' deposits and receipts in advance		**68,052**	36,737	34,647
Amount due to an associate	20	**2,891**	–	–
Other borrowings	27	**1,470,792**	201,565	854,682
Derivative financial instruments	28	**20,191**	4,188	9,453
Taxation payable		**80,049**	80,014	68,442
		1,663,874	343,419	1,037,235
Net current assets		**402,551**	1,759,081	178,810
Total assets less current liabilities		**2,777,731**	2,254,003	780,341

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	**30.6.2011 HK$'000**	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Non-current liabilities				
Convertible bonds	29	**–**	218,096	–
Net assets		**2,777,731**	2,035,907	780,341
Capital and reserves				
Share capital	30	**5,563**	5,567	2,756
Reserves	31	**2,716,835**	1,977,169	777,585
Equity attributable to owners of the Company		**2,722,398**	1,982,736	780,341
Non-controlling interests		**55,333**	53,171	–
Total equity		**2,777,731**	2,035,907	780,341

The financial statements on pages 26 to 109 were approved and authorised for issue by the Board of Directors on 22 September 2011 and are signed on its behalf by:

Ms. Chong Sok Un	**Dato' Wong Peng Chong**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2010 to 30 June 2011

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible bonds equity reserve HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	(Accumulated loss) retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	2,756	591,439	–	7,200	203,973	2,184	15,848	(43,059)	780,341	–	780,341
Profit for the year	–	–	–	–	–	–	–	1,025,401	1,025,401	15,633	1,041,034
Other comprehensive income and expenses for the year	–	–	–	410	44,141	–	(8,954)	–	35,597	–	35,597
Total comprehensive income and expenses for the year	–	–	–	410	44,141	–	(8,954)	1,025,401	1,060,998	15,633	1,076,631
Issue of shares upon exercise of warrants	1	268	–	–	–	–	–	–	269	–	269
Issue of shares upon rights issue	2,757	107,504	–	–	–	–	–	–	110,261	–	110,261
Issue of shares upon conversion of convertible bonds	53	3,947	–	–	–	–	–	–	4,000	–	4,000
Transaction cost attributable to issue of shares	–	(1,375)	–	–	–	–	–	–	(1,375)	–	(1,375)
Recognition of equity component of convertible bonds	–	–	28,242	–	–	–	–	–	28,242	–	28,242
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	53,200	53,200
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	291,661	291,661
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(20,214)	(20,214)
Dilution of shareholding in a subsidiary	–	–	–	–	–	–	–	–	–	64,844	64,844
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(351,953)	(351,953)
At 31 December 2009	5,567	701,783	28,242	7,610	248,114	2,184	6,894	982,342	1,982,736	53,171	2,035,907
Profit for the period	–	–	–	–	–	–	–	513,134	513,134	2,162	515,296
Other comprehensive income for the period	–	–	–	1,900	79,533	–	167,967	–	249,400	–	249,400
Total comprehensive income for the period	–	–	–	1,900	79,533	–	167,967	513,134	762,534	2,162	764,696
Early redemption of convertible bonds	–	–	(28,242)	–	–	–	–	28,242	–	–	–
Repurchase of shares	(4)	(600)	–	–	–	4	–	(4)	(604)	–	(604)
Dividends paid (note 15)	–	–	–	–	–	–	–	(22,268)	(22,268)	–	(22,268)
At 30 June 2011	5,563	701,183	–	9,510	327,647	2,188	174,861	1,501,446	2,722,398	55,333	2,777,731

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2010 to 30 June 2011

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation		
Continuing operations	**515,779**	931,651
Discontinued operation	**–**	26,160
	515,779	957,811
Adjustments for:		
Interest income	**(12,144)**	(5,147)
Depreciation of property, plant and equipment	**437**	3,373
Interest expense	**122,977**	52,603
Net loss (gain) on disposal of available-for-sale investments	**4,018**	(119,344)
Change in fair value of investments held for trading	**101,564**	(523,625)
Fair value changes on investment properties	**(41,891)**	(18,570)
Reversal of revaluation deficit on leasehold land and buildings	**(45)**	(54)
Share of profits of associates	**(228,215)**	(19,719)
Gain on disposal of associates	**–**	(10,756)
Impairment loss recognised on available-for-sale investments	**7,173**	–
Discount on acquisition of an associate	**(75,827)**	–
Change in fair value of derivative financial instruments	**16,003**	(5,265)
Operating cash flows before movements in working capital	**409,829**	311,307
Decrease in inventories	**–**	30
Increase in investments held for trading	**(406,313)**	(183,095)
(Increase) decrease in debtors, deposits and prepayments	**(201,034)**	10,356
Decrease (increase) in loans receivable	**19,582**	(224,550)
Increase (decrease) in creditors and accrued charges	**984**	(49,614)
Increase in customers' deposits and receipts in advance	**31,315**	2,090
Cash used in operating activities	**(145,637)**	(133,476)
Interest paid	**(105,073)**	(33,048)
Tax paid	**(2,580)**	(1,170)
NET CASH USED IN OPERATING ACTIVITIES	**(253,290)**	(167,694)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2010 to 30 June 2011

	NOTES	**1.1.2010 to 30.6.2011 HK$'000**	1.1.2009 to 31.12.2009 HK$'000 (restated)
INVESTING ACTIVITIES			
Purchase of loan notes		**(168,755)**	–
Proceeds from redemption of loan notes		**115,000**	–
Proceeds from disposal of available-for-sale investments		**37,400**	318,274
Increase in pledged bank deposits		**(3,808)**	(7,984)
Interest received		**9,207**	5,147
Purchases of available-for-sale investments		**(232,173)**	(39,125)
Purchases of property, plant and equipment		**(49)**	(201)
Proceeds on disposal of an associate		**–**	138,003
Acquisition of subsidiaries	37	**–**	(139,178)
Disposal of a subsidiary	38	**–**	141,055
Acquisition of investment in an associate		**(569,404)**	(155)
Repayment from (advance to) an associate		**30,845**	(33,476)
Proceeds from dilution on shareholding of a subsidiary		**–**	88,182
Proceeds from disposal of an investment property		**–**	21,300
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(781,737)**	491,842
FINANCING ACTIVITIES			
Advance from an associate		**2,891**	–
New borrowings raised		**4,217,326**	1,707,000
Proceeds from issue of shares		**–**	110,530
Expenses on issue of shares		**–**	(1,375)
Repayments of borrowings		**(2,948,099)**	(2,360,117)
Dividends paid		**(22,268)**	–
Repurchase of shares		**(604)**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**–**	53,200
Proceeds from issue of convertible bonds		**–**	300,000
Expenses on issue of convertible bonds		**–**	(9,217)
Redemption of convertible bonds		**(236,000)**	(60,000)
Acquisition of additional interest in a subsidiary		**–**	(20,288)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,013,246**	(280,267)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,781)**	43,881
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		**6,064**	452
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**110,612**	66,279
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by bank balances and cash		**94,895**	110,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Vigor Online Offshore Limited (incorporated in British Virgin Islands). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 42.

During the current financial period, the reporting period end date of the Group was changed from 31 December to 30 June because the Directors of the Company decided to bring the annual reporting period end date of the Group in line with that of the Company's principal listed associate which represents a substantial investment of the Group. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and related notes for the current reporting period cover eighteen months from 1 January 2010 to 30 June 2011. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover twelve months period from 1 January 2009 to 31 December 2009 and therefore may not be comparable with amounts shown for the current reporting period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES

In the current period began on 1 January 2010, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by borrower of a term loan that contains a repayment on demand clause

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES *(continued)*

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and/or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKFRS 3 (Revised) Business combinations and HKAS 27 (Revised) Consolidated and separate financial statements

The Group has applied HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary have been also applied prospectively by the Group from 1 January 2010. In addition, the Group applied the consequential amendments to the other HKFRSs in the current period. There was no transaction during the current period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable. Thus, application of HKFRS 3 (Revised) and HKAS 27 (Revised) had no effect on the consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable.

Consequential amendments to HKAS 28 Investments in associate

When an acquisition of an associate is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. This policy has been applied for the accounting of the acquisition of APAC (as defined in note 20) as an associate (see note 20).

Consequential amendments to HKAS 7 Statement of cash flows

The application of the consequential amendments to HKAS 7 affected the classification of the cash outflow for the Group's acquisition of additional interest in a subsidiary in the prior period as the amendments are applied retrospectively. The cash consideration paid in the prior period of HK$20,288,000 has been reclassified from cash flows from investing activities to cash flows from financing activities.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES *(continued)*

New and revised HKFRSs affecting presentation and disclosure only *(continued)*

Amendments to HKAS 17 Leases (continued)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in prepaid lease payments being reclassified to property, plant and equipment which have then been revalued in accordance with the Group's accounting policy.

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior periods. Details of financial impact on the Group's result in prior year are set out below.

Hong Kong Interpretation 5 Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK – INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK – INT 5 in the current period. HK – INT 5 requires retrospective application.

In order to comply with the requirements set out in HK – INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, term loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$150,000,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 5 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES *(continued)*

New and revised HKFRSs affecting presentation and disclosure only *(continued)*

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 is as follows:

	As at 1.1.2009 HK$'000 (originally stated)	Adjustments HK$'000	As at 1.1.2009 HK$'000 (restated)	As at 31.12.2009 HK$'000 (originally stated)	Adjustments HK$'000	As at 31.12.2009 HK$'000 (restated)
Property, plant and equipment	3,036	54	3,090	3,385	52	3,437
Prepaid lease payment	54	(54)	–	52	(52)	–
Other borrowings – current	(854,682)	–	(854,682)	(51,565)	(150,000)	(201,565)
Other borrowings – non-current	–	–	–	(150,000)	150,000	–
Total effects on net assets	(851,592)	–	(851,592)	(198,128)	–	(198,128)

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

HKAS 1 (Amendments)	Presentation of items of other comprehensive income[7]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[6]
HKAS 19 (Revised 2011)	Employee benefits[8]
HKAS 24 (Revised 2009)	Related party disclosures[4]
HKAS 27 (Revised 2011)	Separate financial statements[8]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[8]
HKAS 32 (Amendments)	Classification of rights issues[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[5]
HKFRS 9	Financial instruments[8]
HKFRS 10	Consolidated financial statements[8]
HKFRS 11	Joint arrangements[8]
HKFRS 12	Disclosure of interests in other entities[8]
HKFRS 13	Fair value measurement[8]
HK (IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[4]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES *(continued)*

New and revised HKFRSs affecting presentation and disclosure only *(continued)*

[1] Effective for annual periods beginning on or after 1 February 2010.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 July 2011.
[6] Effective for annual periods beginning on or after 1 January 2012.
[7] Effective for annual periods beginning on or after 1 July 2012.
[8] Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ended 30 June 2014. Based on the Group's financial assets and financial liabilities at 30 June 2011, the application of HKFRS 9 will mainly affect the classification and measurement of the Group's available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES *(continued)*

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If that presumption is not rebutted, the deferred tax reflects the tax consequences of recovering the carrying amount entirely through sale, even if the entity expects to earn rental income from the property before sale.

In the opinion of the Directors of the Company, as a basis that the presumption is not rebutted, the application of HKAS 12 (Amendments) will result in a decrease in deferred tax liabilities in relation to the changes in fair value of investment properties.

HKFRS 10 "Consolidated Financial Statements" replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. In the opinion of the Directors of the Company, they are in the process of assessing the effect of application of HKFRS 10, reasonable estimate has not yet been provided until detailed review has been completed.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The carrying amount of the investment at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of available-for-sale investments.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations that took place prior to 1 January 2010

The acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under were generally recognised at their fair values at the acquisition date.

When a business combination involves more than one exchange transaction, each exchange shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with the transaction. Any adjustment to those fair values related to previously held interests of the Group is credited to the revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations that took place prior to 1 January 2010 *(continued)*

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportion are share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

On acquisition of additional interest in a subsidiary, goodwill is calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the business attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised as income in the consolidated income statement.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Acquisition of an associate in stages

When an acquisition of an associate is achieved in stages, any previously held equity interest in the acquires is remeasured at fair value on the date of acquisition and the resulting gain or loss is recognised in profit or loss.

Acquisition of additional interests in associates

Goodwill is recognised at each acquisition date, being the excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including debtors, loans receivable, loan notes, amount due from an associate, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity instruments or financial assets at fair value through profit or loss. The Group designated investments in equity securities other than held for trading purpose, listed debt securities, unit trusts investments and club debentures as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as debtors and loans receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible bonds contains liability and equity components, and early redemption option

Convertible bonds issued by the Group that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability components, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Convertible bonds contains liability and equity components, and early redemption option (continued)

When the convertible bonds are redeemed before maturity by exercising an early redemption option, the amortised cost of the financial liability component of the convertible bonds is remeasured by discounting the revised estimate of cash flows payable at the original effective interest rate established at initial recognition of the financial liability component of the convertible bonds. The difference between the previous amortised cost carrying amount and the newly reameasured amount would be recognised in profit or loss. The related equity component is transferred to retained profits.

Other financial liabilities

Other financial liabilities including creditors, amount due to an associate and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition (continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary difference and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Retirement benefits scheme

Payments to the Group's defined contribution scheme or Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 30 June 2011, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$2,187 million (31 December 2009: HK$2,086 million). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors of the Company determine the deferred taxation assets based on tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred taxation assets are expected to be utilised. The Directors of the Company will review the assumptions and profit projections by the end of the reporting period. Unused tax loss of approximately HK$32 million (31 December 2009: HK$544 million) has been utilised in current year. In cases where the actual future profits generated are more or less than expected, further recognition or reversal of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Directors of the Company consider share capital, share premium and retained profits are the capital of the Group. The Group's overall strategy remains unchanged from prior years.

The Directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments

	30.6.2011 HK$'000	31.12.2009 HK$'000
Financial assets		
Investments held for trading	**1,295,369**	1,525,691
Loans and receivables (including cash and cash equivalents)	**762,071**	564,251
Available-for-sale financial assets	**671,511**	392,264
Financial liabilities		
Amortised cost	**1,488,420**	432,950
Derivative financial instruments	**20,191**	4,188

Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, amount due from and to an associate, loan notes, loans receivable, debtors, creditors, other borrowings, convertible bonds, derivative financial instruments, pledged bank deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loans receivable, loan notes, available-for-sale debt instruments, bank balances, other debtors and other borrowings. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	30.6.2011	31.12.2009	**30.6.2011**	31.12.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**37,364**	107,716	**–**	–
Renminbi ("RMB")	**109,990**	126,872	**–**	–
Australian Dollars ("AUD")	**274,951**	–	**47,728**	13,536
Malaysian Ringgit ("MYR")	**1,105**	15,941	**–**	–

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

The following table details the Group's sensitivity to a 10% (31 December 2009: 10%) increase and decrease in HK$ against relevant foreign currencies and all other variables were held constant. 10% (31 December 2009: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the period end for a 10% (31 December 2009: 10%) change in foreign currencies rates. A positive number below indicates an increase in post-tax profit (1 January 2009 to 31 December 2009: increase in post-tax profit) for the period/year where foreign currencies strengthen 10% (31 December 2009: 10%) against HK$. For a 10% (31 December 2009: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the period/year.

	RMB Impact		AUD Impact		MYR Impact	
	1.1.2010 to 30.6.2011	1.1.2009 to 31.12.2009	**1.1.2010 to 30.6.2011**	1.1.2009 to 31.12.2009	**1.1.2010 to 30.6.2011**	1.1.2009 to 31.12.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in post-tax profit for the period/year	**9,184**	10,594	**18,973**	(1,130)	**92**	1,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments, investments held for trading and derivative financial instruments. The Group's available-for-sale investments, investments held for trading, derivative financial instruments and equity securities held by an associate of the Group have significant concentration of price risk in Hong Kong, Malaysia and Australia stock market. Management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current period.

If the prices of the respective equity instruments had been 30% (31 December 2009: 30%) higher/lower and all other variables were held constant, the Group's:

- post-tax profit for the period from 1 January 2010 to 30 June 2011 would increase/decrease approximately by HK$424,475,000 (1 January 2009 to 31 December 2009: HK$382,186,000) as a result of the changes in fair value of investments held for trading;

- investment revaluation reserve would increase/decrease approximately by HK$185,127,000 (1 January 2009 to 31 December 2009: HK$117,476,000) for the Group as a result of the changes in fair value of certain available-for-sale investments and post-tax profit for the period from 1 January 2010 to 30 June 2011 would increase/decrease approximately by HK$7,173,000/HK$13,445,000 (1 January 2009 to 31 December 2009: nil) as a result of changes in impairment loss recognised on certain available-for-sale investments; and

- post-tax profit for the period from 1 January 2010 to 30 June 2011 would increase/decrease by HK$3,836,000/HK$5,048,000 (1 January 2009 to 31 December 2009: HK$2,826,000/HK$23,430,000) as a result of the changes in the fair value of derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk (continued)

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 62% (2009: 28%) of the Group's investments are denominated in currencies other than the functional currency of the group entity.

The carrying amounts of the Group's foreign currency denominated investments held for trading, available-for-sale equity investments and derivative financial instruments at the reporting date are as follows:

	Liabilities		**Assets**	
	30.6.2011	31.12.2009	**30.6.2011**	31.12.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**4,271**	–	**118,002**	69,725
AUD	**–**	–	**550,335**	225,601
MYR	**–**	–	**183,781**	42,656
New Taiwan Dollars ("TWD")	**–**	–	**298,963**	199,993
Japanese Yen ("JPY")	**–**	–	**3,747**	2,621

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (31 December 2009: 10%) increase and decrease in HK$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. 10% (31 December 2009: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax profit (1 January 2009 to 31 December 2009: increase in post-tax profit) for the period where foreign currencies strengthen 10% (31 December 2009: 10%) against HK$. For a 10% (31 December 2009: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the period/year and the investment revaluation reserve.

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Increase in post-tax profit for the period/year	**73,976**	27,207
Increase in investment revaluation reserve	**29,707**	19,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to bank deposits, fixed-rate loans receivable, loan notes, available-for-sale debt instruments, the liability component of convertible bonds and unsecured term loan. The Group's cash flow interest rate risk relates to its variable-rate loans receivable, bank balances and securities margin loans.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Standard Chartered Bank's Prime Rate arising from the Group's variable interest rate instruments.

Management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period/year.

If the interest rate of variable-rate loans receivable and securities margin loans had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the period would decrease/increase approximately by HK$15,916,000 (1 January 2009 to 31 December 2009: HK$301,000).

Credit risk

The Group's credit risk is primarily attributable to debtors, loan notes, loans receivable, bank balances and pledged bank deposits.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 30 June 2011 and 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Bank balances and pledged bank deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

The Group has significant concentration of credit risk on debtors, loan notes and loans receivable. The management closely monitors the subsequent settlement of the customers and does not grant long credit period to the counterparties. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual debt and loans receivable at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

For derivative financial instruments, the Group has approximately HK$211,460,000 (31 December 2009: HK$70,509,000) and HK$276,266,000 (31 December 2009: Nil) contractual cash outflow in return with listed securities and foreign currencies within 1 year respectively. The nature of the derivative financial instruments is disclosed in note 28.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
As at 30 June 2011								
Non-derivative financial liabilities								
Creditors	–	–	14,737	–	–	–	14,737	14,737
Other borrowings								
– variable rates	prime rate plus spread	1,320,792	–	–	–	–	1,320,792	1,320,792
– fixed rates	6%	150,000	–	–	–	–	150,000	150,000
Amount due to an associate	–	2,891	–	–	–	–	2,891	2,891
		1,473,683	14,737	–	–	–	1,488,420	1,488,420

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at year end HK$'000
As at 31 December 2009 (restated)								
Non-derivative financial liabilities								
Creditors	–	–	13,017	134	138	–	13,289	13,289
Other borrowings								
– variable rates	prime rate plus spread	51,565	–	–	–	–	51,565	51,565
– fixed rates	6%	150,000	–	–	–	–	150,000	150,000
Convertible bonds (Note)	9%	–	–	9,469	10,620	267,860	287,949	218,096
		201,565	13,017	9,603	10,758	267,860	502,803	432,950

Note: It is assumed that the convertible bonds will not be early redeemed by the Company before the maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Term loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 30 June 2011 and 31 December 2009, the aggregate undiscounted principal amounts of the term loan amounted to HK$150,000,000 and HK$150,000,000 respectively. Taking into account the Group's financial position, the Directors do not consider it is probable that the counterparty will exercise their discretionary rights to demand immediate repayment. The Directors believe that such term loan will be repaid within four months after 30 June 2011 in accordance with the scheduled repayment date set out in the loan agreements. For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's term loan based on the scheduled repayment dates set out in the agreement as set out in the table below:

	Weighted average interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Term loan								
30 June 2011	**6%**	**–**	**750**	**1,500**	**156,750**	**–**	**159,000**	**150,000**
31 December 2009	6%	–	750	1,500	6,750	157,500	166,500	150,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and the fair values of the unit trusts have been determined based on the trust unit price;

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of derivative financial instruments are calculated using option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

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).
- 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).

	30.6.2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Non-derivative financial assets				
Investments held for trading	**1,295,369**	–	–	**1,295,369**
Available-for-sale financial assets				
Listed equity securities	**417,557**	–	–	**417,557**
Listed debt securities	**199,535**	–	–	**199,535**
Unlisted unit trusts	–	**53,673**	–	**53,673**
Unlisted club debentures	–	**678**	–	**678**
Total	**1,912,461**	**54,351**	–	**1,966,812**
Financial liabilities				
Derivative financial liabilities	–	–	**20,191**	**20,191**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

Fair value measurements recognised in the consolidated statement of financial position (continued)

	31.12.2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Non-derivative financial assets				
Investments held for trading	1,525,691	–	–	1,525,691
Available-for-sale financial assets				
Listed equity securities	331,357	–	–	331,357
Unlisted unit trusts	–	60,229	–	60,229
Unlisted club debentures	–	678	–	678
Total	1,857,048	60,907	–	1,917,955
Financial liabilities				
Derivative financial liabilities	–	–	4,188	4,188

There were no transfer between Level 1 and 2 in the current period and prior year.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative financial instruments
	HK$'000
At 1 January 2009	9,453
Realised gains in profit or loss	(11,574)
Unrealised loss in profit or loss	4,188
Settlements	2,121
At 31 December 2009	4,188
Realised gain in profit or loss	(8,776)
Unrealised loss in profit or loss	20,191
Settlements	4,588
At 30 June 2011	**20,191**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

Fair value measurements recognised in the consolidated statement of financial position (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities (continued)

Of the total gains or losses for the period included in profit or loss, HK$20,191,000 (1 January 2009 to 31 December 2009: HK$4,188,000) relates to derivative financial instruments held at the end of the reporting period. Fair value gains or losses on derivative financial instruments are included in 'Other gains and losses' in the consolidated income statement.

6. REVENUE

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Continuing operations		
Dividend income from listed investments	**105,889**	32,761
Interest income from loans receivable	**103,983**	32,425
Rental income	**4,138**	3,358
	214,010	68,544

7. SEGMENT INFORMATION

Segment information is presented based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the board of Directors of the Company, for the purpose of allocating resources to segments and assessing their performance.

The Group is organised into three operating and reportable segments as follows:

Securities trading and investments – trading of securities in Hong Kong and overseas markets.

Financial services – provision of financial services.

Property investment – leasing of residential and office properties.

The financial information of the discontinued operation as disclosed in note 13 was not regularly reviewed by the board of Directors of the Company, accordingly such operation has not been included in the segment information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the period from 1 January 2010 to 30 June 2011

	Continuing operations			
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	2,020,920	–	–	2,020,920
Revenue	105,889	103,983	4,138	214,010
Segment profit	113,634	97,945	44,522	256,101
Share of profits of associates				228,215
Other income				5,113
Net foreign exchange gain				438
Central corporate expenses				(3,033)
Effective interest expense on convertible bonds				(46,882)
Discount on acquisition of an associate				75,827
Profit before taxation				515,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2009

	Continuing operations			
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	1,046,458	–	–	1,046,458
Revenue	32,761	32,425	3,358	68,544
Segment profit	890,896	33,216	21,132	945,244
Share of profits of associates				3,365
Gain on disposal of associates				10,756
Other income				5,762
Net foreign exchange gain				3,226
Central corporate expenses				(2,347)
Effective interest expense on convertible bonds				(34,355)
Profit before taxation				931,651

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of share of profits of associates, gain on disposal of associates, certain other income, certain net foreign exchange gain, central corporate expenses, effective interest expense on convertible bonds and discount on acquisition of an associate. This is the measure reported to the board of Directors of the Company for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 30 June 2011

	Securities trading and investments HK$'000	**Financial services HK$'000**	**Property investment HK$'000**	**Consolidated HK$'000**
Segment assets	**2,241,512**	**392,262**	**146,942**	**2,780,716**
Interests in associates				**1,559,656**
Corporate assets				**101,233**
Consolidated assets				**4,441,605**
Segment liabilities	**1,499,812**	**150,601**	**2,055**	**1,652,468**
Amount due to an associate				**2,891**
Corporate liabilities				**8,515**
Consolidated liabilities				**1,663,874**

At 31 December 2009

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	1,983,244	405,228	103,298	2,491,770
Interests in associates				5,368
Amount due from an associate				30,845
Corporate assets				69,439
Consolidated assets				2,597,422
Segment liabilities	144,181	186,788	1,885	332,854
Corporate liabilities				228,661
Consolidated liabilities				561,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, interests in associates, deposits and prepayments, taxation recoverable, amount due from an associate and certain bank balances and cash.

- all liabilities are allocated to operating and reportable segments other than certain creditors and accrued charges, certain customers' deposits and receipts in advance, certain taxation payable, amount due to an associate and convertible bonds.

Other segment information

Continuing operations

For the period from 1 January 2010 to 30 June 2011

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets					
Interest income	(12,144)	–	–	–	(12,144)
Finance cost	62,430	13,652	13	46,882	122,977
Depreciation of property, plant and equipment	–	–	84	353	437
Additions to property, plant and equipment	–	–	–	49	49
Fair value changes on investment properties	–	–	(41,891)	–	(41,891)
Impairment loss recognised on available-for-sale investments	7,173	–	–	–	7,173
Net foreign exchange gain	(14,397)	(505)	(1)	(438)	(15,341)
Change in fair value of derivative financial investments	11,415	–	–	–	11,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

7. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Continuing operations (continued)

For the year ended 31 December 2009

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets					
Interest income	(979)	–	–	–	(979)
Finance cost	15,624	2,617	7	34,355	52,603
Depreciation of property, plant and equipment	–	–	180	138	318
Additions to property, plant and equipment	–	–	201	–	201
Fair value changes on investment properties	–	–	(18,570)	–	(18,570)
Net foreign exchange gain	–	–	–	(3,226)	(3,226)
Change in fair value of derivative financial investments	(7,386)	–	–	–	(7,386)

Geographical information

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and the People's Republic of China (the "PRC").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

7. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

The Group's revenue from continuing operations based on location of the Group's operations and information about non-current assets based on location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	1.1.2010 to 30.6.2011	1.1.2009 to 31.12.2009	**30.6.2011**	31.12.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**210,295**	65,818	**1,437,711**	70,760
The PRC	**3,715**	2,726	**232,008**	38,420
The Philippines	**–**	–	**37,197**	–
	214,010	68,544	**1,706,916**	109,180

Note: Non-current assets excluded financial instruments.

Information about major customers

Revenues from customers of the corresponding period/year contributing over 10% of the total sales of the Group are as follows:

	1.1.2010 to 30.6.2011	1.1.2009 to 31.12.2009
	HK$'000	HK$'000
Customer A[1]	**–**[2]	11,535
Customer B[1]	**31,045**	12,261
Customer C[1]	**51,649**	–[2]

[1] Revenue from financial services.

[2] The corresponding revenue did not contributed over 10% of total sales of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

8. OTHER GAINS AND LOSSES

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Other gains (losses) from continuing operations		
Change in fair value of investments held for trading (Note a)	**96,485**	771,208
Change in fair value of derivative financial instruments (Note b)	**(11,415)**	7,386
Net (loss) gain on disposal of available-for-sale investments	**(4,018)**	119,344
Gain on disposal of an associate	**–**	10,756
Impairment loss recognised on available-for-sale investments	**(7,173)**	–
Fair value changes on investment properties (Note c)	**41,891**	18,570
Reversal of revaluation deficit on leasehold land and buildings	**45**	54
Net foreign exchange gain	**15,341**	3,226
Discount on acquisition of an associate	**75,827**	–
	206,983	930,544

Notes:

(a) Net realised gain of approximately HK$198,049,000 (1 January 2009 to 31 December 2009: HK$247,583,000) on disposal of investments held for trading is included in change in fair value of investments held for trading. Also, included in change in fair value of investments held for trading was unrealised loss of approximately HK$22,890,000 on APAC (as defined in note 20) before becoming an associate of the Group.

(b) Net realised gain of approximately HK$8,776,000 (1 January 2009 to 31 December 2009: HK$11,574,000) on derivative financial instruments is included in change in fair value of derivative financial instruments.

(c) Net realised gain of approximately HK$4,900,000 on investment property is included in change in fair value of investment properties for the year ended 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

9. OTHER INCOME

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Continuing operations		
Interest income from:		
– Loan notes	**2,937**	–
– Available-for-sale debt instruments	**8,107**	–
– Bank deposits	**564**	577
– Others	**536**	402
	12,144	979
Front end fee for loans receivable	**13,144**	–
Others	**5,113**	5,762
	30,401	6,741

10. FINANCE COSTS

The amounts represent interest on other borrowings and effective interest expense on convertible bonds wholly repayable within five years.

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Interest on:		
Other borrowings wholly repayable within five years	**76,095**	18,248
Effective interest expense on convertible bonds	**46,882**	34,355
	122,977	52,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The Directors' emoluments are analysed as follows:

For the period from 1 January 2010 to 30 June 2011

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Ms. Chong Sok Un	–	665	–	18	683
Dato' Wong Peng Chong	–	2,020	–	18	2,038
Mr. Kong Muk Yin	–	1,890	–	18	1,908
Independent non-executive directors					
Mr. Lo Wai On	285	–	–	–	285
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
Mr. Ma Wah Yan	–	–	–	–	–
	545	4,575	–	54	5,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Directors' emoluments *(continued)*

For the year ended 31 December 2009

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Ms. Chong Sok Un	–	455	–	12	467
Dato' Wong Peng Chong	–	1,300	–	12	1,312
Mr. Kong Muk Yin	–	1,170	–	12	1,182
Independent non-executive directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	2,925	–	36	3,401

Note: The performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

During the current period, Mr. Lo Wai On resigned as independent non-executive Director of the Company. Mr. Ma Wah Yan was appointed as independent non-executive Director of the Company.

During the period/year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the period/year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Five highest paid individuals

During the period, the five highest paid individuals included two Directors (1 January 2009 to 31 December 2009: three), details of their emoluments are set out above. The emoluments for the remaining three (1 January 2009 to 31 December 2009: two) highest paid individuals of the Group are as follows:

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Salaries and other benefits	**3,761**	1,544
Retirement benefits scheme contributions	**36**	21
	3,797	1,565

The emoluments are within the following bands:

	1.1.2010 to 30.6.2011 Number of employees	1.1.2009 to 31.12.2009 Number of employees
Nil to HK$1,000,000	**3**	2

12. TAXATION

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Continuing operations		
Current tax:		
Enterprise Income Tax in the PRC	**(483)**	(261)
Underprovisions in prior years		
– Hong Kong Profits Tax	**–**	(13,597)
	(483)	(13,858)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

12. TAXATION *(continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period and prior year. No tax is payable on the profit for the period and prior year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The taxation for the period/year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Profit before taxation from continuing operations	**515,779**	931,651
Tax at the domestic income tax rate of 16.5% (1 January 2009 to 31 December 2009: 16.5%)	**(85,104)**	(153,722)
Tax effect of share of profits of associates	**37,655**	555
Tax effect of expenses that are not deductible	**(9,551)**	(9,818)
Tax effect of income that is not taxable	**73,637**	73,489
Underprovision in respect of prior years	**–**	(13,597)
Tax effect of utilisation of tax losses/deductible temporary differences previously not recognised	**5,312**	89,811
Tax effect of tax losses not recognised	**(22,036)**	(929)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(361)**	160
Others	**(35)**	193
Taxation for the period/year (relating to continuing operations)	**(483)**	(13,858)

Details of deferred taxation are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

13. DISCONTINUED OPERATION

On 4 December 2009, the Group entered into a sale agreement to dispose of a subsidiary, Greenfield Chemical Holdings Limited ("Greenfield"), a company listed on the Stock Exchange, which carried out all of the Group's manufacturing and trading of paints and related products. The disposal was effected in order to generate cash flows for reduction of other borrowings and for working capital of the Group. The disposal was completed on 9 December 2009, on which date control of Greenfield passed to the acquirer.

The profit for the year ended 31 December 2009 from the discontinued operation is analysed as follows:

	1.1.2009 to 31.12.2009 HK$'000
Profit of manufacturing and trading of paints and related products for the period	24,952
Gain on disposal of the operation of manufacturing and trading of paints and related products (see note 38)	76,595
Gain on dilution of shareholding of the operation of manufacturing and trading of paints and related products (see note 38)	21,694
	123,241

Greenfield was acquired by the Group on 4 September 2009 (see note 37 for the details of acquisition), therefore, the results of the trading of paints operations for the period from 4 September 2009 to 9 December 2009, which have been included in the consolidated income statement, were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

13. DISCONTINUED OPERATION *(continued)*

	Period from 4.9.2009 to 9.12.2009 HK$'000
Revenue	71,355
Cost of sales	(48,427)
Other income	8,570
Selling and distribution expenses	(5,424)
Administrative expenses	(16,268)
Share of profits of associates	16,354
Profit before taxation	26,160
Taxation	(1,208)
Profit for the period	24,952
Profit for the period attributable to:	
Owners of the Company	13,380
Non-controlling interest	11,572
	24,952

Profit for the year ended 31 December 2009 from discontinued operation includes the following:

	Period from 4.9.2009 to 9.12.2009 HK$'000
Auditor's remuneration	165
Cost of inventories recognised as expenses	48,427
Depreciation of property, plant and equipment	3,055
Staff costs, inclusive of directors' emoluments	19,450
Interest income	4,168
Operating lease rentals in respect of rental premises	295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

13. DISCONTINUED OPERATION *(continued)*

During the year ended 31 December 2009, Greenfield contributed HK$6,503,000 to the Group's net operating cash flows, contributed HK$4,267,000 in respect of investing activities and with nil contribution in respect of financing activities.

The carrying amounts of the assets and liabilities of Greenfield at the date of disposal are disclosed in note 38.

14. PROFIT FOR THE PERIOD/YEAR

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Continuing operations		
Profit for the period/year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,778**	1,109
Depreciation of property, plant and equipment	**437**	318
Staff cost, inclusive of directors' emoluments	**13,671**	7,600
Gross rental income from properties	**(4,138)**	(3,358)
Less: Direct operating expenses that generated rental income	**1,216**	787
Direct operating expenses that did not generate rental income	**637**	415
Net rental income	**(2,285)**	(2,156)

15. DIVIDENDS

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Dividends recognised as distribution during the period/year:		
2009 Final dividend paid – HK$0.04 per share	**22,268**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

15. DIVIDENDS *(continued)*

The final dividend of HK$0.04 per share for the period from 1 January 2010 to 30 June 2011 (1 January 2009 to 31 December 2009: HK$0.04) has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting.

16. EARNINGS PER SHARE

For continuing and discontinued operations

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

Earnings

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Earnings for the purpose of basic earnings per share (profit for the period/year attributable to owners of the Company)	**513,134**	1,025,401
Effect of dilutive potential ordinary shares – interest on convertible bonds	**–**	34,355
Earnings for the purpose of diluted earnings per share	**513,134**	1,059,756

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**556,695,202**	521,545,873
Effect of dilutive potential ordinary shares – convertible bonds	**–**	330,301,369
Weighted average number of shares for the purpose of diluted earnings per share	**556,695,202**	851,847,242

The effect of conversion of convertible bonds are excluded in the calculation of the diluted earnings per share from the continuing and discontinued operations for the period ended 30 June 2011 because they are anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 2009 does not assume the exercise of warrants because the exercise price of the Company's outstanding warrants was higher than the average market price of shares for the period from 1 January 2009 up to the maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

16. EARNINGS PER SHARE *(continued)*

From continuing operations

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

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Earnings for the period/year attributable to owners of the Company	**513,134**	1,025,401
Less: Profit for the period from discontinued operation	**–**	(123,241)
Earnings for the purposes of basic earnings per share from continuing operations	**513,134**	902,160
Effect of dilutive potential ordinary shares – interest on convertible bonds	**–**	34,355
Earnings for the purpose of diluted earnings per share from continuing operations	**513,134**	936,515

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operation

For the year ended 31 December 2009, basic earnings per share for the discontinued operation is HK$0.24 per share and diluted earnings per share for the discontinued operation is HK$0.14 per share for the year ended 31 December 2009, based on the profit for the prior year from the discontinued operation of HK$123,241,000 and the denominators detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2009	103,105
Disposal	(21,300)
Net increase in fair value recognised in profit or loss	18,570
At 31 December 2009	100,375
Net increase in fair value recognised in profit or loss	41,891
At 30 June 2011	**142,266**

The Group's investment properties are analysed as follows:

	30.6.2011 **HK$'000**	31.12.2009 HK$'000
Properties held under medium term leases:		
– in Hong Kong	**95,850**	61,955
– in the PRC	**41,834**	34,580
Properties situated in the PRC held under long term leases	**4,582**	3,840
	142,266	100,375

The fair values of the Group's investment properties at 30 June 2011 and 31 December 2009 were arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and on the basis of capitalisation of the net income with due allowance for the reversionary income.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong under medium-term lease	Computer and electronic equipment	Furniture and fixtures	Motor vehicles	Plant, machinery and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION						
At 1 January 2009, as originally stated	2,096	890	1,839	678	–	5,503
Effect of changes in accounting policies (note 2)	54	–	–	–	–	54
At 1 January 2009, as restated	2,150	890	1,839	678	–	5,557
Additions	–	187	14	–	–	201
Acquired on acquisition of a subsidiary	–	–	9,504	4,166	63,329	76,999
Disposed on disposal of a subsidiary	–	–	(9,504)	(4,166)	(63,329)	(76,999)
Revaluation increase	410	–	–	–	–	410
At 31 December 2009	2,560	1,077	1,853	678	–	6,168
Additions	–	28	21	–	–	49
Revaluation increase	1,900	–	–	–	–	1,900
At 30 June 2011	**4,460**	**1,105**	**1,874**	**678**	**–**	**8,117**
Comprising:						
At cost	–	1,105	1,874	678	–	3,657
At valuation – 2011	4,460	–	–	–	–	4,460
	4,460	1,105	1,874	678	–	8,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings in Hong Kong under medium-term lease HK$'000	Computer and electronic equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
DEPRECIATION						
At 1 January 2009, as restated	–	731	1,623	113	–	2,467
Provided for the year	54	55	444	299	2,432	3,284
Eliminated on disposal of a subsidiary	–	–	(371)	(163)	(2,432)	(2,966)
Eliminated on revaluation	(54)	–	–	–	–	(54)
At 31 December 2009, as restated	–	786	1,696	249	–	2,731
Provided for the period	45	115	74	203	–	437
Eliminated on revaluation	(45)	–	–	–	–	(45)
At 30 June 2011	**–**	**901**	**1,770**	**452**	**–**	**3,123**
CARRYING VALUES						
At 30 June 2011	**4,460**	**204**	**104**	**226**	**–**	**4,994**
At 31 December 2009 (as restated)	2,560	291	157	429	–	3,437
At 1 January 2009 (as restated)	2,150	159	216	565	–	3,090

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the lease terms or 30-50 years
Computer and electronic equipment	20%
Furniture and fixtures	20%
Motor vehicles	20% – 50%
Plant, machinery and equipment	4% – 18%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The buildings of the Group were valued on 30 June 2011 and 31 December 2009 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on a market value basis. DTZ Debenham Tie Leung Limited is not connected with the Group. A reversal of revaluation deficit on leasehold land and buildings of approximately HK$45,000 (31 December 2009: HK$54,000) has been credited to the consolidated income statement. A revaluation surplus on leasehold land and buildings of approximately HK$1,900,000 (31 December 2009: HK$410,000) has been credited to the properties revaluation reserve.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$652,000 (31 December 2009: HK$680,000).

19. LOAN NOTES

The Group subscribed for loan notes with a nominal value of US$26,200,000 from Mulpha SPV Limited ("Mulpha"), a limited liability company incorporated in Malaysia at a discount of 17.3554% in June 2010. The loan notes bear zero coupon interest with an effective interest rate of 10% per annum and it will mature on 15 June 2012. The loan notes are guaranteed by Mulpha International Bhd., a company incorporated in Malaysia whose shares are listed on the Main Board of the Kuala Lumpur Stock Exchange. The loan notes can be early redeemed by Mulpha before the maturity date at a accrual yield of 10% per annum based on a reference price which is 82.6446% of the nominal value of the loan notes. The early redemption option by Mulpha is closely related to the host debt and is therefore not separately accounted for.

The Group disposed of loan notes with aggregate carrying amounts of approximately US$14,744,000 (equivalent to HK$115,000,000) with aggregate nominal value of approximately US$17,384,000 (equivalent to HK$135,596,000) to independent third parties for aggregate consideration of HK$115,000,000 during the period ended 30 June 2011.

20. INTERESTS IN ASSOCIATES

	30.6.2011	31.12.2009
	HK$'000	HK$'000
Cost of investment in associates		
Listed in the Philippines	**30,021**	–
Listed in Hong Kong	**934,327**	–
Unlisted	**289,126**	73,172
Share of post-acquisition profits and other comprehensive income, net of dividends received	**379,199**	5,213
Less: Impairment loss	**(73,017)**	(73,017)
	1,559,656	5,368
Fair value of listed investments	**796,922**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

20. INTERESTS IN ASSOCIATES *(continued)*

As at 31 December 2009, amount due from an associate of HK$30,845,000 was unsecured, interest-free and expected to be recoverable within twelve months after the end of the reporting period.

As at 30 June 2011, amount due to an associate of HK$2,891,000 is unsecured, interest-free and repayable on demand.

As at 30 June 2011 and 31 December 2009, the Group had interests in the following associates:

Name of entities	Form of business structure	Place/ Country of incorporation/ registration	Principal place of operation	Class of share held	Number of shares held by the Group as at 30.6.2011	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
						30.6.2011	31.12.2009	30.6.2011	31.12.2009	
						%	%	%	%	
APAC Resources Limited ("APAC")	Incorporated	Bermuda	Hong Kong	Ordinary	1,900,939,562	**27.65**	N/A	**27.65**	N/A	Investment holding
Extra Earn Holdings Limited ("Extra Earn")	Incorporated	The British Virgin Islands	The PRC	Ordinary	180,000	**40**	N/A	**40**	N/A	Investment holding
Mabuhay Holdings Corporation ("Mabuhay")	Incorporated	The Philippines	The Philippines	Ordinary	408,978,000	**34.08**	N/A	**34.08**	N/A	Investment holding
Printronics Electronics Limited ("Printronics")	Incorporated	Hong Kong	Hong Kong	Ordinary	2	**40**	40	**40**	40	Inactive
Sinofair International Investments Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	20,000	**40**	40	**40**	40	Securities trading in Hong Kong

During the period ended 30 June 2011, the Group acquired three associates as follows:

(a) The Group acquired 34.08% equity interest in Mabuhay, a company listed on The Philippine Stock Exchange, for a total consideration of approximately HK$30,021,000 in June 2010. The principal activities of Mabuhay's subsidiaries are property investment in the Philippines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

20. INTERESTS IN ASSOCIATES *(continued)*

(b) On 25 June 2010, the Group entered into the subscription agreement to subscribe for 40% equity interest in Extra Earn, a company incorporated in the British Virgin Islands, for a total consideration of US$18,000,000 (equivalent to approximately HK$140,127,000). A discount on acquisition of HK$75,827,000 is credited to consolidated income statement during the period ended 30 June 2011. Major assets of Extra Earn at the date of acquisition were monetary items, including receivables which have been substantially received as of the date of issuance of these consolidated financial statements. In the opinion of the Directors, a discount in acquisition was resulted because the shareholder of Extra Earn was in financial difficulty and was willing to offer a favourable subscription price to new investors.

(c) On 6 September 2010, the Group acquired 637,459,562 shares which represented equity interest of 9.21% of APAC with its shares are listed on the Stock Exchange, at a consideration of approximately HK$319,345,000, and together with the previously held interest of 15.94% (accounted for as investment held for trading before the acquisition of 9.21% of equity interest in APAC), APAC has become an associate of the Group since then. On 7 and 8 September 2010, the Group further acquired 138,840,000 shares of APAC, which represented equity interest of approximately 2%, at a total consideration of approximately at HK$69,547,000. Following the completion of the aforesaid acquisitions, the Group had 27.15% equity interest in APAC. The Group further acquired 21,400,000 shares in APAC at a consideration of HK$10,364,000 subsequent to 8 September 2010. As at 30 June 2011, the Group has 27.65% equity interest in APAC. The principal activities of APAC are investment in the two Australian listed companies as associates and trading of mineral resources and securities trading.

On 24 May 2011, the Company entered into a sales and purchase agreement with an independent third party, pursuant to which the Company will dispose and the third party will acquire the 27.65% equity interest of APAC at a consideration of approximately HK$1,330,658,000. The disposal was not completed at 30 June 2011 as the conditions for the completion of disposal including but not limited to the approval from the shareholders of the Company and the acquirer and approval from the Australian Government in respect of the Australian listed associate of APAC have not been met and satisfied. As at 30 June 2011, an amount of approximately HK$66,533,000 was received by a law firm in escrow account from the independent third party as initial refundable deposits.

On 6 March 2009, the Group disposed of the entire shares in ChinaVision Media Group Limited, at a price of HK$0.7 per share to an independent third party for proceeds of approximately HK$138,003,000. A gain on disposal of HK$10,756,000 was recognised in profit or loss for the year ended 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

20. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	30.6.2011	31.12.2009
	HK$'000	HK$'000
Total assets	**8,775,557**	93,521
Total liabilities	**(3,157,200)**	(80,100)
Net assets	**5,618,357**	13,421
Group's share of net assets of associates	**1,559,656**	5,368
Revenue	**1,420,500**	60,052
Profit for the period/year	**825,127**	5,343
Other comprehensive income for the period/year	**521,847**	–
Group's share of profits and other comprehensive income of associates for the period/year	**373,986**	3,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30.6.2011	31.12.2009
	HK$'000	HK$'000
Listed investments:		
– Equity securities listed in Hong Kong	**120,490**	132,553
– Equity securities listed elsewhere (Note)	**297,067**	198,804
– Debt securities listed elsewhere (Note)	**199,535**	–
	617,092	331,357
Unlisted investments:		
– Unit trusts denominated in USD	**53,673**	60,229
– Club debentures	**678**	678
– Equity securities, at cost	**68**	–
	54,419	60,907
Total	**671,511**	392,264
Analysed for reporting purposes as:		
Current assets	**3,247**	6,522
Non-current assets	**668,264**	385,742
	671,511	392,264

Note: The currency of the equity and debt securities listed elsewhere is denominated in TWD of HK$297,067,000 (31 December 2009: HK$198,804,000) and AUD of HK$199,535,000 (31 December 2009: nil) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

22. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	30.6.2011	31.12.2009
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**491,281**	1,246,642
– Equity securities listed in Australia	**550,335**	225,601
– Equity securities listed in Malaysia	**183,781**	42,656
– Equity securities listed elsewhere (Note)	**69,972**	10,792
	1,295,369	1,525,691

Note: The currency of the equity securities listed elsewhere is mainly denominated in USD of HK$64,329,000 (31 December 2009: HK$6,981,000), JPY of HK$3,747,000 (31 December 2009: HK$2,621,000) and TWD of HK$1,896,000 (31 December 2009: HK$1,190,000) as at 30 June 2011.

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2011	31.12.2009
	HK$'000	HK$'000
Debtors from securities trading	**30,276**	4,487
Other debtors, deposits and prepayments	**198,987**	23,742
	229,263	28,229

The settlement terms of debtors from securities trading are 2-3 days after trade date.

There is no allowance for doubtful debts in current period and prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

24. LOANS RECEIVABLE

	30.6.2011 HK$'000	31.12.2009 HK$'000
Fixed-rate loan	**367,843**	387,425
Variable-rate loan	**2,000**	2,000
	369,843	389,425

The loans receivable had contractual maturity dates within 1 year as at 30 June 2011 and 31 December 2009.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required. There is no loans receivables which were past due but not impaired as at 30 June 2011 and 31 December 2009.

The average interest rate for the fixed-rate loans receivable was ranging from 8% to 24% (31 December 2009: 7% to 25%) per annum.

The contracted interest rates of the variable-rate loans receivable denominated in Hong Kong dollars ("HKD") is The Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate with effective interest rate of 5% (31 December 2009: 5%). Interest is normally repriced every six months.

The loans receivable with a carrying amount of HK$331,973,000 (31 December 2009: HK$330,485,000) are secured by certain deposits and listed and unlisted securities which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable as the creditworthiness and the past collection history of each client are satisfactory.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES

The pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group with zero interest rate in current period and prior year.

Bank balances carry interest at market rates with a range from 0.001% to 4.3% (31 December 2009: 0.001% to 3.6%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

26. CREDITORS AND ACCRUED CHARGES

	30.6.2011 **HK$'000**	31.12.2009 HK$'000
Creditors from securities trading	**14,251**	12,573
Other creditors and accrued charges	**7,648**	8,342
	21,899	20,915

The settlement terms of creditors from securities trading are 2-3 days after trade date.

27. OTHER BORROWINGS

The following table provides an analyses of the other borrowings:

	30.6.2011 **HK$'000**	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Securities margin loans	**1,320,792**	51,565	489,682
Unsecured term loan	**150,000**	150,000	300,000
Secured term loan	**–**	–	65,000
	1,470,792	201,565	854,682

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	30.6.2011 **HK$'000**	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
On demand and within one year	**1,470,792**	51,565	854,682
Carrying amount of term loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	150,000	–
Amount due within one year shown under current liabilities	**1,470,792**	201,565	854,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

27. OTHER BORROWINGS *(continued)*

(a) Securities margin loans

This represents securities margin financing received from stock broking, futures and options broking house and were secured by certain collateral of the Group as disclosed in note 33. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. The collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire loans are secured by the Group's marketable securities as disclosed in note 33, repayable on demand and bear variable interest with a range from 3.75% to 8.25% (31 December 2009: 1% to 8.25%) per annum.

(b) Unsecured term loan

As at 30 June 2011 and 31 December 2009, the unsecured term loan is denominated in HK$ bearing fixed interest rate of 6% per annum.

28. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise gross-settled option contracts linked with the equity securities listed in Hong Kong and net-settled option contracts linked with exchange rate of foreign currencies with certain brokers for a period of one year.

29. CONVERTIBLE BONDS

Pursuant to a placing agreement entered into between the Company and Sun Hung Kai International Limited dated 23 November 2008, the Company issued convertible bonds amounting to HK$300,000,000 on 11 February 2009 with maturity of three years. The convertible bonds were denominated in HK$ and entitled the holders to convert them into shares of the Company at any time within 3 years from the date of issue of the convertible bonds, at the conversion price per share of HK$0.75 and at an interest rate of 9% per annum. If the convertible bonds had not been converted, they would be redeemed on 10 February 2012 at par. The Company was allowed to redeem the convertibles bonds since the date of issue to the maturity date, at any time redeem and at the price of the 100% of the principal amount of the bond to be redeemed as specified in the redemption notice, together with all interest accrued thereon up to and including the date on which payment of such principal amount of the redeemed bond and the interest accrued thereon should have been paid by the Company in full.

The convertible bonds contained two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. The equity element was presented in equity under the heading of convertible bonds equity reserve. The effective interest rate of the liability component was 13.74% at the date of initial recognition.

On initial recognition, the transaction cost incurred for the issuance of the convertible bonds was allocated into the liability component and the equity component of HK$8,322,000 and HK$895,000 respectively on pro-rata basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

29. CONVERTIBLE BONDS *(continued)*

The movement of the liability component of the convertible bonds for the period/year is set out as below:

	HK$'000
Liability component at the issue date	262,541
Interest charge	34,355
Interest paid	(14,800)
Early partial repayment	(60,000)
Conversion to ordinary shares	(4,000)
As at 31 December 2009	218,096
Interest charge	46,882
Interest paid	(28,978)
Early partial repayment	(236,000)
As at 30 June 2011	**–**

In September 2009, the Company exercised its early redemption option to redeem 20% of convertible bonds for an amount of HK$60,000,000.

In October 2009, the bond holder exercised the conversion options with the principal amount of HK$4,000,000 of the convertible bonds.

During the period ended 30 June 2011, the Company exercised its early redemption option to redeem all the remaining convertible bonds for an amount of HK$236,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

30. SHARE CAPITAL

		Number of shares		Carrying value	
		30.6.2011	31.12.2009	**30.6.2011**	31.12.2009
	Notes			**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At beginning and end of the period/year		**30,000,000,000**	30,000,000,000	**300,000**	300,000
Issued and fully paid:					
At beginning of the period/year		**556,698,697**	275,622,494	**5,567**	2,756
Repurchase of shares	(a)	**(412,000)**	–	**(4)**	–
Issue of shares upon exercise of warrants	(b)	**–**	93,110	**–**	1
Issue of shares upon conversion of convertible bonds	(c)	**–**	5,333,333	**–**	53
Issue of shares upon rights issue	(d)	**–**	275,649,760	**–**	2,757
At end of the period/year		**556,286,697**	556,698,697	**5,563**	5,567

Notes:

(a) Repurchase of shares

During the period ended 30 June 2011, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
June 2011	412,000	1.50	1.42	604

Out of 412,000 shares repurchased, 284,000 shares were cancelled in current period while the remaining 128,000 shares were cancelled subsequent to the end of the reporting period and the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase of the shares of HK$600,000 was charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

30. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(a) Repurchase of shares *(continued)*

The repurchases of the Company's shares during the period ended 30 June 2011 were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(b) Warrants

During the year ended 31 December 2008, 55,236,709 units of warrants in the value of HK$193,328,481.50 were issued on the basis of one warrant for every five outstanding shares held on 26 June 2008. Registered holders of warrants could exercise their rights to subscribe for the ordinary shares of the Company at HK$3.5 per share during the period from 28 July 2008 to 27 July 2009.

The exercise price of the warrants was adjusted from HK$3.5 to HK$2.63 after the completion of the rights issue by the Company during the year ended 31 December 2009.

During the year ended 31 December 2009, warrants in the value of HK$268,601 were exercised to subscribe for 27,266 and 65,844 ordinary shares in the Company at HK$3.5 and HK$2.63 per share respectively. The remaining outstanding warrants were lapsed on 28 July 2009.

(c) Convertible bonds

During the year ended 31 December 2009, the holders of the convertible bonds have converted part of the convertible bonds into 5,333,333 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.75 per share. These new shares rank pari passu with the then existing shares in issue in all respects.

(d) Rights issue

During the year ended 31 December 2009, the Company allotted and issued 275,649,760 shares by way of rights issue at a subscription price of HK$0.40 per share for every existing share then held. These new shares rank pari passu with the then existing shares in issue in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

31. RESERVES

Properties revaluation reserve

	30.6.2011 HK$'000	31.12.2009 HK$'000
At 1 January	**7,610**	7,200
Surplus on revaluation of leasehold land and buildings	**1,900**	410
At 30 June 2011 and 31 December 2009	**9,510**	7,610

Note: At 30 June 2011, the balance of properties revaluation reserve included surplus of HK$5,456,000 (31 December 2009: HK$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value.

Investment revaluation reserve

	30.6.2011 HK$'000	31.12.2009 HK$'000
At 1 January	**248,114**	203,973
Gain on fair value changes of available-for-sale investments	**84,474**	163,485
Reclassification adjustments for the cumulative loss (gain) included in profit or loss upon disposal of available-for-sale investments	**4,018**	(119,344)
Reclassification adjustments upon impairment of available-for-sale investments	**7,173**	–
Share of changes in other comprehensive expense of associates	**(16,132)**	–
At 30 June 2011 and 31 December 2009	**327,647**	248,114

Translation reserve

	30.6.2011 HK$'000	31.12.2009 HK$'000
At 1 January	**6,894**	15,848
Share of changes in other comprehensive income of associates	**161,903**	–
Exchange gain arising from translation of foreign operation	**6,064**	452
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of an associate	**–**	(9,406)
At 30 June 2011 and 31 December 2009	**174,861**	6,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

32. DEFERRED TAXATION

	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2009	1,836	(1,836)	–
Charge (credit) to consolidated income statement for the year	1,266	(1,266)	–
At 31 December 2009	3,102	(3,102)	–
Charge (credit) to consolidated income statement for the period	512	(512)	–
At 30 June 2011	**3,614**	**(3,614)**	**–**

At 30 June 2011, the Group had estimated unused tax losses of approximately HK$2,187 million (31 December 2009: HK$2,086 million) for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$21.9 million (31 December 2009: HK$18.8 million) of such losses. No deferred tax asset has been recognised in respect of remaining estimated tax losses of approximately HK$2,165 million (31 December 2009: HK$2,067 million) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

33. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks and securities brokers house to secure credit facilities:

	30.6.2011 HK$'000	31.12.2009 HK$'000
Investments held for trading	**1,198,601**	962,510
Available-for-sale investments	**528,120**	240,227
Pledged bank deposits	**12,959**	9,151
	1,739,680	1,211,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

34. LEASE COMMITMENTS

The Group as lessee

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Minimum lease payments paid under operating leases in respect of premises	**2,099**	1,898

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30.6.2011 HK$'000	31.12.2009 HK$'000
Within one year	**2,099**	1,898
In the second to fifth year inclusive	**6,121**	791
	8,220	2,689

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

The Group as lessor

Property rental income earned during the period/year was approximately HK$4,138,000 (1 January 2009 to 31 December 2009: HK$3,358,000). The properties held have committed tenants for a lease term ranging from two to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30.6.2011 HK$'000	31.12.2009 HK$'000
Within one year	**3,069**	2,363
In the second to fifth year inclusive	**1,759**	8
	4,828	2,371

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35. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefits scheme contributions charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Company upon request.

In addition to the defined contribution retirement benefits scheme, the Group is required to contribute to Mandatory Provident Fund for certain employees in Hong Kong based on applicable rates of monthly salary in accordance with the relevant regulations.

During the period ended 30 June 2011, the retirement benefits scheme contributions charged to consolidated income statement were HK$231,000 (1 January 2009 to 31 December 2009: HK$1,447,000).

36. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Directors which is the key management of the Group during the period/year was as follows:

	1.1.2010 to 30.6.2011 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Salaries and other short-term employee benefits	**5,120**	3,365
Retirement benefits costs	**54**	36
	5,174	3,401

The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

37. ACQUISITION OF SUBSIDIARIES

On 4 September 2009, the Group entered into a sale and purchase agreement (the "S&P") with an independent third party to acquire the entire issued share capital of Pacific Orchid Investments Limited ("Pacific Orchid"). Pacific Orchid is an investment holding company with a sole asset being the 68.72% equity interest in Greenfield, for a total consideration of HK$281,250,000 ("Acquisition"). Completion of the Acquisition took place immediately after signing of the S&P. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$7,612,000. The Group is required under the rules of the Hong Kong Code on Takeovers and Mergers to make a mandatory general cash offer ("General Offer") to acquire the remaining shares of Greenfield not already owned. Under the General Offer, the Group acquired additionally 4.95% equity interest in Greenfield for a consideration of HK$20,288,000 with an goodwill of approximately HK$74,000 arisen in October 2009.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

NET ASSETS ACQUIRED:

	Acquiree's carrying amount before combination and fair value HK$'000
Prepaid lease payment	14,000
Property, plant and equipment	76,999
Interests in associates	93,693
Available-for-sale investments	10
Loans receivable	159,055
Deferred tax assets	163
Inventories	21,968
Debtors, deposits and prepayments	83,616
Advance to an associate	14,387
Taxation recoverable	4,365
Bank balance and cash	142,072
Creditors and accrued charges	(38,119)
Taxation payable	(6,910)
	565,299
Non-controlling interests	(291,661)
Goodwill	7,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

37. ACQUISITION OF SUBSIDIARIES *(continued)*

	Acquiree's carrying amount before combination and fair value HK$'000
Total consideration	281,250
Satisfied by:	
Cash consideration paid	281,250
Net cash inflow arising on acquisition:	
Cash consideration	(281,250)
Bank balances and cash acquired	142,072
	(139,178)

Pacific Orchid Investments Limited and its subsidiaries contributed HK$71,355,000 to the Group's revenue which is included in the profit from discontinued operation and HK$24,952,000 to the Group's profit for the period between the date of acquisition and 31 December 2009.

If the acquisition had been completed on 1 January 2009, total revenue of the Group for the year ended 31 December 2009 would have been HK$246,810,000, and profit for the year ended 31 December 2009 would have been HK$1,120,048,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

38. DISPOSAL OF A SUBSIDIARY

The Group disposed of an aggregate of 15.76% equity interests in Greenfield in October and November 2009, of which approximately HK$21,694,000 gain on dilution of shareholding was recognised in consolidated income statement and approximately HK$1,644,000 goodwill was released.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

38. DISPOSAL OF A SUBSIDIARY *(continued)*

On 9 December 2009, the Group further disposed of 51.31% equity interests in Greenfield, which carried out all of the Group's manufacturing and trading of paints and related products, at a consideration of HK$294,000,000 to an independent third party. After the disposal, the Group's remaining equity interest in Greenfield is 6.60%. As a result, the Group is no longer in a position to exercise control or significant influence over Greenfield. The carrying amount of HK$27,038,000 of the Group's investment in Greenfield as at 9 December 2009 has been regarded as cost as available-for-sale investments. From the date on which the Group ceased to have control or significant influence, its investment in Greenfield has been measured at fair value. As at 30 June 2011, the Group has equity interest in Greenfield of 6.60%.

	HK$'000
NET ASSETS DISPOSED OF	
Prepaid lease payment	13,911
Property, plant and equipment	74,033
Interests in associates	110,047
Available-for-sale investments	10
Loans receivable	159,055
Deferred tax assets	163
Inventories	21,938
Debtors, deposits and prepayments	81,679
Advance to an associate	17,018
Taxation recoverable	1,180
Bank balance and cash	152,945
Creditors and accrued charges	(37,601)
Taxation payable	(4,024)
	590,354
Non-controlling interests	(351,953)
Attributable goodwill	6,042
Reclassified as available-for-sale investments	(27,038)
Gain on disposal	76,595
Total consideration satisfied by cash	294,000
Net cash inflow arising on disposal	
Cash consideration	294,000
Bank balances and cash disposed of	(152,945)
	141,055

The impact of Greenfield on the Group's results and cash flows in the prior year is disclosed in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

39. SUMMARY OF FINANCIAL POSITION OF THE COMPANY

	30.6.2011	31.12.2009
	HK$'000	HK$'000
Total assets	**898,323**	1,213,434
Total liabilities	**(354,020)**	(598,893)
	544,303	614,541
Capital and reserves		
Share capital	**5,563**	5,567
Reserves	**538,740**	608,974
	544,303	614,541

As at 30 June 2011, the carrying amount of investment of subsidiaries is approximately HK$32,168,000 (31 December 2009: HK$32,168,000) and amounts due from subsidiaries is approximately HK$865,090,000 (31 December 2009: HK$1,166,941,000).

40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2011, the Group entered into the following transactions:

- On 12 July 2011, the Group disposed of the remaining loan notes with a carrying amount at the date of disposal of approximately US$7,286,000 (equivalent to HK$56,692,000) with a nominal value of approximately US$8,816,000 (equivalent to HK$68,765,000) to an independent third party for a consideration of approximately US$8,074,000 (equivalent to HK$62,975,000).

- On 9 August 2011, the Group passed an ordinary resolution to approve the sale and purchase agreement on disposal of 27.65% equity interest of APAC at a consideration of approximately HK$1,330,658,000 as disclosed in note 20 (c). This disposal is not yet completed at the date of this report as the condition stated in the sale and purchase agreement is not completely fulfilled.

41. NON-CASH TRANSACTION

During the period ended 30 June 2011, the Group's investment in APAC were remeasured to fair value which amounted to HK$535,071,000 on the date the Group acquired additional interest in APAC and APAC became an associate (see note 20 (c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2011 and 31 December 2009 are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 30 June 2011 & 31 December 2009	Principal activities
Directly held				
Besford International Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Classic Fortune Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Mission Time Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Star Paging (BVI) Limited	The British Virgin Islands	Ordinary US$400	100%	Investment holding
Yuenwell Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Indirectly held				
Action Best Limited***	The British Virgin Islands	Ordinary US$1	100% (2009: Nil)	Investment holding
Champion Record Limited***	The British Virgin Islands	Ordinary US$1	100% (2009: Nil)	Investment holding
China Online (Bermuda) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
China Online Nominees Limited	Hong Kong	Ordinary HK$200	100%	Investment holding and provision of nominee services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 30 June 2011 & 31 December 2009	Principal activities
China Online Secretaries Limited	Hong Kong	Ordinary HK$2	100%	Provision of secretarial services
Focus Clear Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in Hong Kong
Forepower Limited	The British Virgin Islands	Ordinary US$1	100%	Property investment in Hong Kong
Future Rise Investments Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in overseas
Genwo Limited	Hong Kong	Ordinary HK$200,000	100%	Property investment
Gold Chopsticks Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Honest Opportunity Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	100%	Money lending
Keentime Investments Limited*	The British Virgin Islands	Ordinary US$2	50%	Securities trading in Hong Kong
Kintic Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Konnic Limited	Hong Kong	Ordinary HK$2	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 30 June 2011 & 31 December 2009	Principal activities
Pacific Orchid Investments Limited	The British Virgin Islands	Ordinary US$10,000	100%	Investment holding
Rise Cheer Investments Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Sparkling Summer Limited	The British Virgin Islands	Ordinary US$6,500,000	100%	Securities trading in Hong Kong and overseas
Spring Idea Limited***	The British Virgin Islands	Ordinary US$1	100% (2009: Nil)	Investment holding
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Star Telecom Holding Limited	Hong Kong	Ordinary HK$200 Deferred# HK$4,000,000	100%	Investment holding
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	100%	Investment and property holding
Success East Investment Limited	Hong Kong	Ordinary HK$280,000,000	81%	Securities trading and investment in Hong Kong and overseas
Taskwell Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Think Future Investments Limited***	The British Virgin Islands	Ordinary US$5	80% (2009: Nil)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 30 June 2011 & 31 December 2009	Principal activities
Tide Holdings (H.K.) Limited***	Hong Kong	Ordinary HK$1	80% (2009: Nil)	Investment holding
Tricom Tianchi Limited	Hong Kong	Ordinary HK$2	81% (2009: 100%)	Investment holding
True Focus Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK$2	81% (2009: 100%)	Investment holding
Widerich Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Year Champion Investments Limited***	The British Virgin Islands	Ordinary US$1	100% (2009: Nil)	Investment holding
星電電子技術發展（深圳）有限公司**	The PRC	Registered HK$1,000,000	100%	Investment holding

\# The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.

* The Group is able to control the voting power at all general meetings of Keentime Investments Limited, accordingly, Keentime Investments Limited is accounted for as a subsidiary of the Company.

** Wholly foreign-owned enterprise.

*** The company is newly set up during the period from 1 January 2010 to 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2011

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the period or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 30 June 2011 and 31 December 2009 or at any time during the respective period/year.

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years/period, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

RESULTS

	For the year ended 31 December				For the period from1 January 2010 to 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2011** **HK$'000**
Revenue					
Continuing operations	1,162,742	2,289,440	660,308	1,115,002	**2,234,930**
Discontinued operation	67,098	7,681	–	71,355	**–**
	1,229,840	2,297,121	660,308	1,186,357	**2,234,930**
Profit (loss) before taxation					
Continuing operations	788,754	1,560,048	(2,806,060)	931,651	**515,779**
Discontinued operation	(4,710)	(1,501)	–	124,449	**–**
	784,044	1,558,547	(2,806,060)	1,056,100	**515,779**
Taxation (charge) credit	(11,527)	(175,900)	2,377	(15,066)	**(483)**
Profit (loss) for the year/ period	772,517	1,382,647	(2,803,683)	1,041,034	**515,296**
Attributable to:					
Owners of the Company	772,468	1,378,824	(2,799,811)	1,025,401	**513,134**
Non-controlling interests	49	3,823	(3,872)	15,633	**2,162**
	772,517	1,382,647	(2,803,683)	1,041,034	**515,296**

ASSETS AND LIABILITIES

	As at 31 December				As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2011** **HK$'000**
Total assets	2,748,458	5,311,251	1,817,576	2,597,422	**4,441,605**
Total liabilities	(332,564)	(1,206,932)	(1,037,235)	(561,515)	**(1,663,874)**
	2,415,894	4,104,319	780,341	2,035,907	**2,777,731**
Equity attributable to owners of the Company	2,399,047	4,100,447	780,341	1,982,736	**2,722,398**
Non-controlling interests	16,847	3,872	–	53,171	**55,333**
	2,415,894	4,104,319	780,341	2,035,907	**2,777,731**