



# OPES ASIA DEVELOPMENT LIMITED

## 華保亞洲發展有限公司\*

(Continued into Bermuda with limited liability)  
(Stock Code : 810)

Interim Report 2012



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Yang Yongdong  
*(Chief Executive Officer)*  
Mr. Chu Wai Lim  
Ms. Fong Son Wa

#### Independent Non-executive Directors:

Professor Chen Yamin  
Mr. Ku Siu Fun Alex  
Mr. Zheng Gang

### AUDIT COMMITTEE

Mr. Ku Siu Fun Alex *(Chairman)*  
Mr. Zheng Gang  
Professor Chen Yamin

### REMUNERATION COMMITTEE

Mr. Zheng Gang *(Chairman)*  
Mr. Chu Wai Lim  
Professor Chen Yamin  
Mr. Ku Siu Fun Alex

### NOMINATION COMMITTEE

Mr. Ku Siu Fun Alex *(Chairman)*  
Mr. Yang Yongdong  
Mr. Zheng Gang  
Professor Chen Yamin

### INVESTMENT COMMITTEE

Mr. Chu Wai Lim  
Ms. Fong Son Wa  
Mr. He Weiqing

### COMPANY SECRETARY

Mr. Tsang Wai Wa

### AUDITORS

HLB Hodgson Impey Cheng Limited  
Chartered Accountants  
Certified Public Accountants

### INVESTMENT MANAGER

China International Capital Limited

### PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong)  
Limited

### CUSTODIAN

Standard Chartered Bank (Hong Kong)  
Limited

### SOLICITORS

**As to Hong Kong Law**  
Sidley Austin

### As to Bermuda Law

Appleby Hunter Bailhache

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3102-3105, 31/F.,  
China Merchants Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

### REGISTRARS IN HONG KONG

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

### WEBSITE

<http://www.irasia.com/listco/hk/opesasia>

### STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

810

The Board of Directors (the "Board") of the Company presents the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

## **CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2012*

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
		<b>HK\$</b>	<b>HK\$</b>
<i>Notes</i>		<b>(Unaudited)</b>	(Unaudited)
	4	<b>34,945,045</b>	9,219,427
Turnover			
Cost of equity securities disposed of		<b>(33,308,950)</b>	(8,469,684)
Unrealised fair value losses			
on financial assets at fair value			
through profit or loss		<b>(12,920,579)</b>	(15,513,799)
Impairment loss on available-for-sale			
financial assets		–	(6,720,000)
		<b>(11,284,484)</b>	(21,484,056)
Gross loss			
Other income	4	<b>369,133</b>	1,542
Administrative expenses		<b>(10,785,207)</b>	(3,036,044)
Other operating expenses		<b>(3,237,003)</b>	(829,596)
Finance costs	5	<b>(3,553)</b>	(18)
Loss before income tax		<b>(24,941,114)</b>	(25,348,172)
Income tax	7	–	–
Loss for the period	6	<b>(24,941,114)</b>	(25,348,172)
Loss for the period attributable to			
owners of the Company	8	<b>(24,941,114)</b>	(25,348,172)
Loss per share attributable to owners of			
the Company ( <i>HK cents</i> )			
– Basic and diluted	9	<b>(8.35)</b>	(13.22)

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$ (Unaudited)	2011 HK\$ (Unaudited)
Loss for the period	<b>(24,941,114)</b>	(25,348,172)
Other comprehensive loss for the period, net of income tax:		
Change in fair values of available-for-sale financial assets	–	(1,500,000)
Total comprehensive loss for the period	<b>(24,941,114)</b>	(26,848,172)
<b>Total comprehensive loss for the period attributable to owners of the Company</b>	<b>(24,941,114)</b>	(26,848,172)

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	<b>As at 30 June 2012 HK\$ (Unaudited)</b>	As at 31 December 2011 HK\$ (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>3,055,044</b>	1,682,134
Intangible asset	<i>11</i>	<b>120,000</b>	–
Convertible bond receivable	<i>12</i>	<b>20,620,140</b>	–
Derivative component in convertible bond receivable	<i>12</i>	<b>4,059,860</b>	–
Financial assets at fair value through profit or loss	<i>13</i>	<b>8,407,500</b>	16,815,000
Available-for-sale financial assets	<i>14</i>	<b>11,335,000</b>	9,735,000
		<b>47,597,544</b>	28,232,134
<b>Current assets</b>			
Financial assets at fair value through profit or loss	<i>13</i>	<b>26,691,865</b>	49,608,810
Deposits for acquisition of investments		–	5,000,000
Other receivables, prepayments and deposits		<b>3,568,485</b>	4,888,999
Cash and cash equivalents		<b>32,354,000</b>	30,206,869
		<b>62,614,350</b>	89,704,678
<b>Total assets</b>		<b>110,211,894</b>	117,936,812

	<i>Notes</i>	<b>As at 30 June 2012 HK\$ (Unaudited)</b>	As at 31 December 2011 HK\$ (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	15	<b>2,993,000</b>	2,494,200
Reserves		<b>103,208,155</b>	111,808,582
<b>Total equity</b>		<b>106,201,155</b>	114,302,782
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		<b>4,010,739</b>	3,634,030
<b>Total liabilities</b>		<b>4,010,739</b>	3,634,030
<b>Total equity and liabilities</b>		<b>110,211,894</b>	117,936,812
<b>Net current assets</b>		<b>58,603,611</b>	86,070,648
<b>Total assets less current liabilities</b>		<b>106,201,155</b>	114,302,782
<b>Net assets value per share</b>	16	<b>0.3548</b>	0.4583

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity attributable to owners of the Company							Total HK\$
	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Share-based payment reserves HK\$	Available- for-sale reserves HK\$	Accumulated losses HK\$		
At 1 January 2011 (Audited)	1,630,200	48,838,530	61,305,993	6,133,463	-	(20,840,527)	97,067,659	
Proceeds from placing of new shares, net of issuing expenses	32,600	3,422,658	-	-	-	-	3,455,258	
Proceeds from open offer, net of issuing expenses	831,400	55,300,310	-	-	-	-	56,131,710	
Share option lapsed and cancelled	-	-	-	(1,725,081)	-	1,725,081	-	
Total comprehensive loss for the period	-	-	-	-	(1,500,000)	(25,348,172)	(26,848,172)	
At 30 June 2011 (Unaudited)	2,494,200	107,561,498	61,305,993	4,408,382	(1,500,000)	(44,463,618)	129,806,455	
<b>At 1 January 2012 (Audited)</b>	<b>2,494,200</b>	<b>-</b>	<b>124,403,873</b>	<b>6,254,718</b>	<b>-</b>	<b>(18,850,009)</b>	<b>114,302,782</b>	
Proceeds from placing of new shares, net of issuing expenses	498,800	16,340,687	-	-	-	-	16,839,487	
Share option lapsed	-	-	-	(678,368)	-	678,368	-	
Total comprehensive loss for the period	-	-	-	-	-	(24,941,114)	(24,941,114)	
At 30 June 2012 (Unaudited)	2,993,000	16,340,687	124,403,873	5,576,350	-	(43,112,755)	106,201,155	

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
<b>Net cash used in operating activities</b>	<b>(13,259,144)</b>	(8,732,914)
<b>Net cash used in investing activities</b>	<b>(1,433,212)</b>	(123,494)
<b>Net cash generated from financing activities</b>	<b>16,839,487</b>	59,586,968
<b>Net increase in cash and cash equivalents</b>	<b>2,147,131</b>	50,730,560
Cash and cash equivalents at the beginning of the period	<b>30,206,869</b>	22,187,585
<b>Cash and cash equivalents at the end of the period</b>	<b>32,354,000</b>	72,918,145
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>32,354,000</b>	72,918,145

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for certain financial instruments, which are carried at fair values. The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest dollar except when otherwise indicated. The condensed consolidated interim financial statements are unaudited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2012.

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The application of the above new and revised HKFRSs has had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle <sup>2</sup>
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans <sup>2</sup>
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosures <sup>1</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC) – Int 20	Stripping Costs in Production Phase of Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

### **3. SEGMENT INFORMATION**

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has seven (six months ended 30 June 2011: five) reportable business segments. Each business segment is managed separately and is engaged in investment in listed and unlisted companies in Greater China (including Hong Kong, Macau and the People's Republic of China (the "PRC")), Australia and the United States (the "US"). The following summary describes the operations in each of the Group's reportable business segments.

#### **Listed investments**

There are four reportable business segments under this category, namely investments in listed companies on the Stock Exchange, investments in a listed company on the Shenzhen Stock Exchange, investment in a listed company on the Australian Securities Exchange Limited and investment in a listed company on the New York Stock Exchange. The major sources of income of these four business segments are gains on disposals of listed securities and dividend income, if any.

#### **Unlisted investments**

There are three reportable business segments under this category, namely investments in unlisted companies in Hong Kong, investment in an unlisted company in the PRC and investment in convertible bond in Macau. The major sources of income of these business segments are dividend or interest income from investments, guaranteed return provided by counterparties of the unlisted investments.

Segment results represent the gross profit/(loss) for the period in each operating segment. This is the measure reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of segment performance. Segment results exclude other income such as interest income and unallocated corporate expenses such as administrative and other operating expenses and finance costs.

**3. SEGMENT INFORMATION** *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of allocation and assessment of segment performance for the period is set out below.

	Listing investments				Unlisted investments			Total HK\$
	Hong Kong HK\$	The PRC HK\$	Australia HK\$	The US HK\$	Hong Kong HK\$	The PRC HK\$	Macau HK\$	
For the six months ended 30 June 2012 (Unaudited)								
Turnover	32,932,166	2,012,879	-	-	-	-	-	34,945,045
Segment results	(10,980,453)	905,252	(1,189,708)	(19,575)	-	-	-	(11,284,484)
Interest income								369,133
Depreciation								(309,435)
Finance costs								(3,553)
Unallocated expenses								(13,712,775)
Loss for the period								<u>(24,941,114)</u>

**3. SEGMENT INFORMATION** *(Continued)*

	Listing Investments			Unlisted investments		Total HK\$
	Hong Kong HK\$	The PRC HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	
For the six months ended 30 June 2011 (Unaudited)						
Turnover	9,204,189	15,238	–	–	–	9,219,427
Segment results	(6,388,025)	1,542	(8,377,573)	(6,720,000)	–	(21,484,056)
Interest income						1,542
Depreciation						(55,074)
Finance costs						(18)
Unallocated expenses						(3,810,566)
Loss for the period						(25,348,172)

**4. TURNOVER AND OTHER INCOME**

The Group is engaged in investment in equity securities. Turnover and other income recognised during the period are as follows:

	Six months ended 30 June	
	2012 HK\$ (Unaudited)	2011 HK\$ (Unaudited)
<b>Turnover:</b>		
Sale of financial assets at fair value through profit or loss	<b>34,606,300</b>	9,078,664
Dividend income from financial assets at fair value through profit or loss	<b>338,745</b>	140,763
	<b>34,945,045</b>	9,219,427
<b>Other income:</b>		
Bank interest income	<b>1,082</b>	1,542
Other interest income	<b>368,051</b>	–
	<b>369,133</b>	1,542

## 5. FINANCE COSTS

	Six months ended 30 June	
	2012 HK\$ (Unaudited)	2011 HK\$ (Unaudited)
Interest on bank overdrafts	<b>(3,553)</b>	(18)

## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2012 HK\$ (Unaudited)	2011 HK\$ (Unaudited)
Depreciation	<b>309,435</b>	55,074
Operating lease payments in respect of rental premises	<b>1,796,610</b>	547,426
Staff costs:		
Employee benefits expense (including directors' remuneration):		
Wages and salaries	<b>3,062,337</b>	1,460,558
Retirement benefits scheme contributions	<b>38,657</b>	26,456
	<b>3,100,994</b>	1,487,014

## 7. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not have any assessable profits for the period (six months ended 30 June 2011: Nil).

## **8. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The consolidated loss attributable to owners of the Company for the period included a loss of HK\$24,941,114 (six months ended 30 June 2011: loss of HK\$25,348,172) which has been dealt with in the financial statements of the Company.

## **9. LOSS PER SHARE**

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$24,941,114 (six months ended 30 June 2011: HK\$25,348,172) and the weighted average number of ordinary shares of 298,751,868 ordinary shares (six months ended 30 June 2011: 191,790,826 ordinary shares which was restated with the effect of share consolidation effective on 1 December 2011).

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

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment of a sum of HK\$1,682,345 (six months ended 30 June 2011: HK\$263,000). No item of property, plant and equipment was disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

During the six months ended 30 June 2012, no impairment loss has been made to the property, plant and equipment (six months ended 30 June 2011: Nil).

## **11. INTANGIBLE ASSET**

During the six months ended 30 June 2012, the Group acquired a club membership with indefinite useful life of HK\$120,000.

During the six months ended 30 June 2012, no impairment loss has been made to the intangible asset.

## 12. CONVERTIBLE BOND RECEIVABLE/DERIVATIVE COMPONENT IN CONVERTIBLE BOND RECEIVABLE

During the six months ended 30 June 2012, the Group entered into an agreement to subscribe for convertible bond (“CB”) with principal amount of RMB20,000,000 from Ascent Glory Holdings Limited (“AGHL”), a wholly owned subsidiary of Grand Success Business Limited (“GSBL”) at a consideration of RMB20,000,000 (or its HK\$ equivalent). The CB carry interest of 20% per annum and will mature on 12 June 2014. The initial conversion price is RMB2,400 per share (subject to adjustment). Unless previously converted or lapsed, AGHL will redeem the CB on 12 June 2014 at the redemption amount which is 100% of the principal amount of outstanding CB.

Both GSBL and AGHL were incorporated in the British Virgin Islands and AGHL holds 50% equity interest in 澳門飛馬煙草(集團)有限公司 (English translation as “Macao Pegasus Tabacco (Group) Limited”), a company incorporated in Macau with principal activities of manufacture, wholesale, retail, import and export of cigarettes to and from Macau.

The CB was recognised as follows:

At 13 June 2012 (date of subscription)  
and 30 June 2012 (Unaudited)

<b>Debt component HK\$</b>	<b>Derivative component HK\$</b>
<b>20,620,140</b>	<b>4,059,860</b>



## 12. CONVERTIBLE BOND RECEIVABLE/DERIVATIVE COMPONENT IN CONVERTIBLE BOND RECEIVABLE *(Continued)*

The methods and assumptions applied for the valuation of the CB are as follows:

### (I) Valuation of debt component

The fair value of debt component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the CB issuer and maturity term. The effective interest rate of the debt component as at 30 June 2012 is 32.41%.

### (II) Valuation of derivative component

Derivative component is measured at fair value using the Binomial Option Pricing model, at initial recognition and at the end of the reporting period.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2012 HK\$ (Unaudited)</b>	As at 31 December 2011 HK\$ (Audited)
<b>Listed securities:</b>		
Equity securities – Hong Kong	<b>23,527,125</b>	53,462,985
Equity securities – the PRC	<b>3,580,218</b>	4,687,845
Equity securities – Australia	<b>7,083,272</b>	8,272,980
Equity securities – the US	<b>908,750</b>	–
Market value of listed securities	<b>35,099,365</b>	66,423,810
Less: Non-current portion	<b>(8,407,500)</b>	(16,815,000)
Current portion	<b>26,691,865</b>	49,608,810

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

Changes in fair values of financial assets at fair value through profit or loss are recorded in “unrealised fair value gains/(losses) on financial assets at fair value through profit or loss” in the consolidated income statement.

The fair values of all equity securities are based on their current bid prices in an active market.

**14. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>As at 30 June 2012 HK\$ (Unaudited)</b>	As at 31 December 2011 HK\$ (Audited)
<b>Unlisted securities:</b>		
Equity securities – Hong Kong	<b>4,240,000</b>	2,640,000
Equity securities – the PRC	<b>7,095,000</b>	7,095,000
	<b>11,335,000</b>	9,735,000
Less: Non-current portion	<b>(11,335,000)</b>	(9,735,000)
Current portion	–	–

#### 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Movements of available-for-sale financial assets during the period/year are as follows:

	<b>Six months ended 30 June 2012 HK\$ (Unaudited)</b>	For the year ended 31 December 2011 HK\$ (Audited)
At the beginning of the period/year	<b>9,735,000</b>	20,820,000
Addition	<b>1,600,000</b>	–
Changes in fair value	–	(11,085,000)
At the end of the period/year	<b>11,335,000</b>	9,735,000

The Group has not reclassified any financial assets measured at amortised cost and financial assets measured at fair value during the period/year.

	<b>As at 30 June 2012 HK\$ (Unaudited)</b>	As at 31 December 2011 HK\$ (Audited)
<b>Fair values of available-for-sale financial assets are as follows:</b>		
<b>Unlisted securities:</b>		
Equity securities – the PRC	<b>7,095,000</b>	7,095,000

## 15. SHARE CAPITAL

<b>For the six months ended 30 June 2012</b>	<b>Number of ordinary shares (Unaudited)</b>	<b>HK\$ (Unaudited)</b>
<b>Authorised:</b>		
At 1 January 2012 (audited) and 30 June 2012 (unaudited)	<b>20,000,000,000</b>	<b>200,000,000</b>
<b>Issued and fully paid:</b>		
At 1 January 2012 (audited)	<b>249,420,000</b>	<b>2,494,200</b>
Placing of new shares ( <i>Note (a)</i> )	<b>49,880,000</b>	<b>498,800</b>
At 30 June 2012 (unaudited)	<b>299,300,000</b>	<b>2,993,000</b>
	Number of ordinary shares (Audited)	HK\$ (Audited)
<b>For the year ended 31 December 2011</b>		
<b>Authorised:</b>		
At 1 January 2011 (audited)	200,000,000,000	200,000,000
Share consolidation ( <i>Note (d)</i> )	(180,000,000,000)	–
At 31 December 2011 (audited)	20,000,000,000	200,000,000
<b>Issued and fully paid:</b>		
At 1 January 2011 (audited)	1,630,200,000	1,630,200
Placing of new shares ( <i>Note (b)</i> )	32,600,000	32,600
Open offer ( <i>Note (c)</i> )	831,400,000	831,400
Share consolidation ( <i>Note (d)</i> )	(2,244,780,000)	–
At 31 December 2011 (audited)	249,420,000	2,494,200

## **15. SHARE CAPITAL** *(Continued)*

*Notes:*

- (a) On 6 December 2011, the Company entered into a placing agreement (the "Placing Agreement 2012") with a placing agent, an independent third party. On 3 January 2012, the placing was completed. Pursuant to the Placing Agreement 2012, the Company issued a total of 49,880,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.35 each. The issued share capital of the Company was thus increased from HK\$2,494,200 to HK\$2,993,000. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company will apply the net proceeds for the general working capital of the Company and potential investments to be identified.
- (b) On 8 April 2011, the Company entered into a placing agreement (the "Placing Agreement") with a placing agent, an independent third party. On 28 April 2011, the placing was completed. Pursuant to the Placing Agreement, the Company issued a total of 32,600,000 ordinary shares with par value of HK\$0.001 each at a price of HK\$0.112 each. The issued share capital of the Company was thus increased from HK\$1,630,200 to HK\$1,662,800. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company will apply approximately HK\$3.4 million of the proceeds raised for numerous future investment opportunities to fulfill the investment objectives of the Company.
- (c) On 20 June 2011, 831,400,000 shares of HK\$0.001 each were issued and allotted at the subscription price of HK\$0.07 per offer share on the basis of one offer share for every two existing shares held by the qualifying shareholders by open offer.
- (d) Pursuant to a special resolution passed on 30 November 2011, the Company implemented the share consolidation on the basis that every ten issued and unissued shares of HK\$0.001 each has been consolidated into one consolidated share of HK0.01 each effective 1 December 2011.

## 16. NET ASSETS VALUE PER SHARE

The calculation of net assets value per share is based on the net assets of HK\$106,201,155 (31 December 2011: HK\$114,302,782) and 299,300,000 (31 December 2011: 249,420,000) ordinary shares in issue as at 30 June 2012.

## 17. COMMITMENTS UNDER OPERATING LEASES

### As lessee

As at 30 June 2012 and 31 December 2011, the Group had outstanding commitments payable under non-cancellable operating leases in respect of office premises with average lease term of 3 years which fall due as follows:

	<b>As at 30 June 2012 HK\$ (Unaudited)</b>	As at 31 December 2011 HK\$ (Audited)
Within one year	<b>5,129,580</b>	2,750,700
In the second to fifth years, inclusive	<b>7,316,425</b>	4,355,275
	<b>12,446,005</b>	7,105,975

## 18. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Unaudited)
Investment management fee paid to:		
China International Capital Limited ( <i>Note (a)</i> )	<b>1,090,842</b>	358,589
Up Way Asia Fund Management Limited ( <i>Note (a)</i> )	–	122,903
Consultancy paid fee to Mr. Andrew Look ( <i>Note (b)</i> )	–	40,000
Compensation of key management personnel of the Group:		
Salaries, allowances and benefits in kind	<b>1,620,584</b>	511,133
Retirement benefits scheme contributions	<b>24,000</b>	9,000
Total compensation paid to key management personnel	<b>1,644,584</b>	520,133

*Notes:*

- (a) Under Chapter 21.13 of the Listing Rules, any investment manager, investment adviser or custodian (or any connected person thereof) is regarded as a connected person of the Company.
- (b) Consultancy of HK\$40,000 paid to Mr. Andrew Look as a consultant of the Company for the six months ended 30 June 2011 were made in according to the terms of the consultancy agreement entered between the Company with Mr. Andrew Look, even Mr. Andrew Look ceased to be a substantial shareholder of the Company during the six months ended 30 June 2011.

## 19. SHARE OPTION SCHEME

The Company's Share Option Scheme (the "Scheme"), was adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002, for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and has expired on 7 February 2012. Under the Scheme, the Board of the Company might grant options to Directors of the Company (including Independent Non-executive Directors) and its eligible participants to subscribe for shares in the Company.

## 19. SHARE OPTION SCHEME *(Continued)*

The total number of shares in respect of which options might be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options might be granted to any individual in any one year was not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 for the options granted. Options might be exercised at any time from the date of grant of the share option to a period to be notified by the Board of the Company to each grantee at the time of making such offer, which should not expire later than 10 years from the date of grant. The exercise price was determined by the Board of the Company at its absolute discretion and would not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

On 30 January 2008, the Company granted options under the Scheme to certain Directors, employees and consultants of the Company, which entitle them to subscribe for a total of 99,000,000 ordinary shares at HK\$0.175 per share, upon payment of HK\$1 per grant.

On 10 June 2009, the Company granted share options under the Scheme to certain Directors, employee and consultants of the Company, which entitle them to subscribe for a total of 135,960,000 ordinary shares at HK\$0.170 per share, upon payment of HK\$1 per grant.

On 26 July 2011, the Company granted share options under the Scheme to certain Directors of the Company, which entitled them to subscribe for a total of 67,880,000 ordinary shares at HK\$0.065 per share, upon payment of HK\$1 per grant.

The exercise price and number of options outstanding have been adjusted in accordance with open offers in June 2011 and share consolidation of ten shares into one consolidated share in November 2011.

As at 30 June 2012, the total outstanding share options granted and yet to be exercised under the Scheme was 17,887,724 shares, representing approximately 5.98% of the issued share capital of the Company. All the options granted are exercisable within a period of 10 years commencing on the adoption date. These share options vested at the dates of their issues and are non-transferable.



## 19. SHARE OPTION SCHEME (Continued)

Subsequent to the interim period ended date, a new share option scheme has been adopted on 31 July 2012.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Date of grant	Exercise price (Note (iii))	At 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Open Offer adjustments	At 30 June 2012 (Note (ii))
Share Option Scheme adopted by the Company on 8 February 2002								
30 January 2008	HK\$1.538	2,503,448	-	-	-	-	-	2,503,448
10 June 2009	HK\$1.494	11,090,276	-	-	-	-	-	11,090,276
26 July 2011	HK\$0.650	6,788,000	-	-	-	(2,494,000)	-	4,294,000
		<b>20,381,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,494,000)</b>	<b>-</b>	<b>17,887,724</b>
Weighted average exercise price		<b>HK\$1.210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>HK\$0.650</b>	<b>-</b>	<b>HK\$1.300</b>

Date of grant	Exercise price (Note (iii))	At 1 January 2011	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Open Offer adjustments	Share Consolidation adjustments	At 31 December 2011 (Note (ii))
Share Option Scheme adopted by the Company on 8 February 2002									
30 January 2008	HK\$1.538	86,900,000	-	-	(49,900,000)	(15,000,000)	3,034,483	(22,531,035)	2,503,448
10 June 2009	HK\$1.494	126,460,000	-	-	(3,000,000)	(26,000,000)	13,442,759	(99,812,483)	11,090,276
26 July 2011	HK\$0.650	-	67,880,000	-	-	-	-	(61,092,000)	6,788,000
		<b>213,360,000</b>	<b>-</b>	<b>-</b>	<b>(52,900,000)</b>	<b>(41,000,000)</b>	<b>16,477,242</b>	<b>(183,435,518)</b>	<b>135,937,242</b>
Weighted average exercise price		<b>HK\$0.172</b>	<b>HK\$0.065</b>	<b>-</b>	<b>HK\$0.172</b>	<b>HK\$0.172</b>	<b>HK\$0.1502</b>	<b>HK\$1.089</b>	<b>HK\$1.210</b>

**19. SHARE OPTION SCHEME** *(Continued)*

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

<b>Expiry date</b>	<b>Exercise price per share <i>(Note (ii))</i></b>	<b>As at 30 June Number of share options</b>	<b>As at 31 December Number of share options</b>
29 January 2018	HK\$1.538	2,503,448	2,503,448
9 June 2019	HK\$1.494	11,090,276	11,090,276
25 July 2021	HK\$0.650	4,294,000	6,788,000
		17,887,724	20,381,724

*Notes:*

- (i) The share options outstanding at 30 June 2012 and 31 December 2011 were granted to eligible participants and exercisable during a period of 10 years commencing on the date of each grant. These share options vested at the dates of their issue.
- (ii) The numbers of share options and its exercise price have been adjusted after the completion of open offer and share consolidation of the Company on 16 June 2011 and 30 November 2011 respectively.

**20. EVENTS AFTER THE END OF THE REPORTING PERIOD**

Except for a new share option scheme adopted, there is no other significant events took place after the end of the reporting period.



**國衛會計師事務所有限公司**  
**Hodgson Impey Cheng Limited**

Chartered Accountants  
Certified Public Accountants

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**INDEPENDENT REVIEW REPORT**  
**TO THE BOARD OF DIRECTORS OF**  
**OPES ASIA DEVELOPMENT LIMITED**

*(Continued into Bermuda with limited liability)*

We have reviewed the interim financial information set out on pages 2 to 25, which comprises the condensed consolidated statement of financial position of Opes Asia Development Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2012 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rule”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **HLB Hodgson Impey Cheng Limited**

Chartered Accountants  
Certified Public Accountants

### **Yu Chi Fat**

Practising Certificate Number: P05467

Hong Kong, 31 August 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

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

### FINANCIAL REVIEW

The Group recorded a turnover of HK\$34,945,045 (2011: HK\$9,219,427) and a loss of HK\$24,941,114 (2011: HK\$25,348,172) for the six months ended 30 June 2012.

As at 30 June 2012, the Group's net asset value ("NAV") per share was HK\$0.3548 (31 December 2011: HK\$0.4583), decreased by 22.58% compared to that as at 31 December 2011. At the end of the period under review, the Company's share price was HK\$0.27 (31 December 2011: HK\$0.35), reflecting a 31.4% (31 December 2011: 30.94%) premium to NAV per share.

### INVESTMENT REVIEW

In the first half of 2012, the European debt crisis continued to affect the global economy adversely with unsatisfactory overall performance of the European economy and the US economy also saw a slower recovery. The PRC economy experienced weak domestic demand, decrease in export and regulated investments with its economic growth continued to decline. Various enterprises saw significant profit decline because of the overall unemployed capacity and rising labour costs. The stock market in Hong Kong witnessed tremendous volatility in the first half. The fair value of the Company's existing investment portfolio also fluctuated and declined in the first half.

The Company actively explored special investment opportunities in the PRC and made trial investments in energy-related industries and high-end consumption sectors respectively. Co-operation was made with a Hong Kong listed company in the first quarter in which we intended to invest in a gas pipe production project in the Mainland. However, the investment plan did not realize because of wrong timing. In the second quarter, we invested successfully in a newly established cigarette enterprise in Macau through CB subscription, laying a solid foundation for the future long-term development of the Company.

## PROSPECT

We believe that US has shown signs of slow recovery, however, the economies in Europe and US are unlikely to see an overall significant growth until the members of the European Union reached a consensus on the European debt crisis and had located effective solutions.

Given its austerity policies, China's economic growth also slowed down significantly. Its contribution and influence on global economy will also decline and global economic growth will mainly rely on US economic recovery. However, it is very likely that the prices of international commodities like energy, minerals and metals will remain volatile. From this, it can be concluded that the global economy will still remain at its trough in the second half during the long-term economic adjustment and significant growth is hardly expected.

But we also believe that the growth of emerging economies is expected to be maintained when compared with developed countries. It is expected that China will loosen its economic control momentum, ease out credit scales appropriately and conditionally, and stimulate investment in certain sectors in which it will bring new investment opportunities.

The Company will keep an eye on the changing environment of the global economy; continue to strengthen its investment efforts and prudently assess the existing investment portfolio of the Company in time. It will adjust its investment portfolio in time to obtain excellent investment performance on the basis of controlling risks and achieving profits. Meanwhile, it will also actively focus on new development opportunities under the new development conditions in the Mainland, especially the potential investment opportunities like energy, financial services, medical treatment, education and high-end consumption. It will make suitable investments in the matured projects of the above sectors at the right time with appropriate instruments on a scientific assessment and prudent review basis, so as to improve and optimize the investment performance of the Group and achieve the target of a sustainable and long-term capital increase for investors.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy financial position. As at 30 June 2012, the cash and bank balances of the Group were approximately HK\$32.35 million (31 December 2011: approximately HK\$30.21 million). The Board believes that the Group has sufficient working capital for its operations.

The Group did not pledge any marketable securities for banking facilities as at 30 June 2012 (31 December 2011: Nil) nor has any bank borrowing. The gearing ratio was nil (31 December 2011: Nil).

As at 30 June 2012, the Group had no material capital commitments and contingent liabilities.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

Majority of the Group's investment are denominated in Hong Kong dollars (for certain investment in Hong Kong equity as well as cash with bank). The Group also has some investments in Australian Securities Exchange Limited (approximately 6.4% of total assets) and in New York Stock Exchange Limited (approximately 0.82% of the total assets).

As such, the Board considers the Group's exposure to foreign exchange fluctuation acceptable and no particular hedging strategy is needed to be adopted.

## **CAPITAL STRUCTURE**

As at 30 June 2012, the Company's total number of issued shares was 299,300,000 (As at 31 December 2011: 249,420,000).

## **STAFF**

As at 30 June 2012, the Company has 10 staff, including three Executive Directors and three professional employees. Total staff cost and directors' remuneration paid during the first half of 2012 was approximately HK\$3.1 million (2011: approximately HK\$1.5 million). The remuneration packages for the employees and the directors are in line with the prevailing market practice and are determined on the basis of performance and experience of each individual.

## **THE BOARD**

Mr. Cheung Tung Lan Tony was removed from Non-executive Director and the Chairman of the Board of the Company by the shareholders on 16 May 2012. Up to the date of this interim report, the position of the Chairman is still vacant.

Mr. Chan Yuk Sang resigned as Independent Non-executive Director, member of Audit Committee, Chairman of Remuneration Committee and member of Nomination Committee of the Company on 1 July 2012. Mr. Zheng Gang was appointed as Independent Non-executive Director, member of Audit Committee, Chairman of Remuneration Committee and member of Nomination Committee of the Company with effective from 12 July 2012 to fill in the vacancy.

Mr. Wang Shiyan was retired from Non-executive Director of the Company after annual general meeting held on 31 July 2012.

As at the date of this interim report, the Board consists of three Executive Directors namely, Mr. Yang Yongdong, Mr. Chu Wai Lim and Ms. Fong Son Wa and three Independent Non-executive Directors namely, Mr. Ku Siu Fan Alex, Professor Chen Yamin and Mr. Zheng Gang.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

### Long position in the ordinary shares of HK\$0.01 each (the "Shares") in the Company

Name of Director	Number of Shares	Type of interest	Percentage of issued share capital
Mr. Chu Wai Lim	1,950,000 ( <i>note 1</i> )	Beneficial	0.65%
Ms. Fong Son Wa	1,396,552 ( <i>note 2</i> )	Beneficial	0.47%
Mr. Yang Yongdong	2,494,000 ( <i>note 3</i> )	Beneficial	0.83%
Professor Chen Yamin	300,000 ( <i>note 3</i> )	Beneficial	0.10%

*Notes:*

- (1) 600,000 are the share options granted by the Company and 1,350,000 are shares of the Company;
- (2) 1,096,552 are the share options granted by the Company and 300,000 are shares of the Company;
- (3) This represented the shares options granted by the Company.



## SHARE OPTIONS

As at 30 June 2012, details of share options granted to Directors, substantial shareholders and employees under the share option scheme (the Company adopted the Scheme on 8 February 2002) of the Company were as follows:

Grantee	Position	As at 1/1/2012	Lapsed and cancelled during the year	Granted during the year	Transferred	As at 30/6/2012	Exercised price HK\$	Grant date	Exercisable period
CHEUNG Tung Lan Tony*	Former Non-executive Director	2,494,000	(2,494,000)	-	-	-	0.65	26/7/2011	26/7/2011 to 25/7/2021
YANG Yongdong	Executive Director	2,494,000	-	-	-	2,494,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
CHU Wai Lim	Executive Director	600,000	-	-	-	600,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
FONG Son Wa	Executive Director	682,759	-	-	-	682,759	1.538	30/1/2008	30/1/2008 to 29/01/2018
		113,793	-	-	-	113,793	1.494	10/6/2009	10/6/2009 to 9/6/2019
		300,000	-	-	-	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
CHEN Yamin	Independent Non-executive Director	300,000	-	-	-	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
Former Independent Non-executive Director		300,000	-	-	(300,000)	-	0.65	26/7/2011	26/7/2011 to 25/7/2021
LOOK Andrew	Former substantial shareholder	5,120,690	-	-	-	5,120,690	1.494	10/6/2009	10/6/2009 to 9/6/2019
Employees		113,793	-	-	-	113,793	1.538	30/1/2008	30/1/2008 to 29/01/2018
Employees		113,793	-	-	-	113,793	1.494	10/6/2009	10/6/2009 to 9/6/2019
Employees		300,000	-	-	-	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
Consultants		1,706,896	-	-	-	1,706,896	1.538	30/1/2008	30/1/2008 to 29/01/2018
Consultants		5,742,000	-	-	-	5,742,000	1.494	10/6/2009	10/6/2009 to 9/6/2019
Consultant		-	-	-	300,000	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
		<b>20,381,724</b>	<b>(2,494,000)</b>	<b>-</b>	<b>-</b>	<b>17,887,724</b>			

\* *The share options granted to Mr. Cheung Tung Lan Tony was lapsed due to his removal by the Shareholders on 16 May 2012.*

Save as disclosed above, as at 30 June 2012, no person, other than the Director whose interests are set out in the section "Disclosure of interests" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of Part XV of the SFO.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheung Tung Lan Tony	beneficial	25,500,000	8.52%
Wang Chang Limited ( <i>Note 1</i> )	beneficial	23,120,000	7.72%
Culturecom Holdings Limited ("CHL") ( <i>Notes 2</i> )	beneficial	15,869,000	5.3%

Save as disclosed above, as at 30 June 2012, no person, other than the Director whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of Part XV of the SFO.

*Note 1:* Wang Chang Limited is wholly owned by Mr. Cheung Man Cheong.

*Note 2:* 675,000 shares are held by Culturecom Investments Limited and 15,194,000 shares are held by Winway H.K. Investments Limited. Both of them are the indirectly owned subsidiaries of CHL.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the share option scheme disclosures, at no time during the six months ended 30 June 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

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

During the six months ended 30 June 2012, the Company and subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period under review.

## **AUDIT COMMITTEE**

During the period under review, the Audit Committee was comprised of Mr. Ku Siu Fun Alex, Professor Chen Yamin and Mr. Chan Yuk Sang. Mr. Chan Yuk Sang had resigned on 1 July 2012 and Mr. Zheng Gang was appointed on 12 July 2012 to fill in the vacancy. As at the date of this report, the Audit Committee of the Company comprises Mr. Ku Siu Fun Alex (Chairman of the Audit Committee), Professor Chen Yamin and Mr. Zheng Gang. All of them are the Independent Non-executive Directors of the Company.

The Audit Committee met and reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including the approval of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

## REMUNERATION COMMITTEE

During the period under review, the members of the Remuneration Committee were Mr. Ku Siu Fun Alex, Professor Chen Yamin and Mr. Chan Yuk Sang. Mr. Chan Yuk Sang had resigned on 1 July 2012 and Mr. Chu Wai Lim, the Executive Director of the Company was appointed as the member of the Remuneration committee to fill in the vacancy. On 12 July 2012, Mr. Zheng Gang joined the Remuneration Committee as the Chairman.

As at the date of this report, the Remuneration Committee comprises one Executive Director and three Independent Non-executive Directors: Mr. Chu Wai Lim, Mr. Ku Siu Fun Alex, Professor Chen Yamin and Mr. Zheng Gang (Chairman of the Remuneration Committee). The Remuneration Committee has adopted terms of reference which are in line with the CG Code.

## NOMINATION COMMITTEE

During the period under review, the members of the Nomination Committee were Mr. Ku Siu Fun Alex, Professor Chen Yamin and Mr. Chan Yuk Sang. Mr. Chan Yuk Sang had resigned on 1 July 2012 and Mr. Yang Yongdong, the Executive Director of the Company was appointed as the member of the Nomination committee to fill in the vacancy. On 12 July 2012, Mr. Zheng Gang also joined the Nomination Committee as one of the members.

As at the date of this report, the Nomination Committee comprises one Executive Director and three Independent Non-executive Directors: Mr. Yang Yongdong, Mr. Ku Siu Fun Alex (Chairman of the Nomination Committee), Professor Chen Yamin and Mr. Zheng Gang. The Nomination Committee has adopted terms of reference which are in line with the CG Code.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES UNDER THE LISTING RULES**

Due to the legal case against the Company by the former Non-executive Director, Mr. Cheung Tung Lan Tony, in March 2012 (the “Legal Case”), the Company’s auditor extended the audit scope. The consequence of the extension of the audit scope by the auditor was that the Company delayed to announce its annual result for the year ended 31 December 2011 and delayed to deliver its annual report for the year ended 31 December 2011 within the time frame as requested by the Listing Rules.

To avoid not to influence the Legal Case which had been dismissed by the court in May 2012, the Company implemented the Code Provision C.1.2 in August 2012 even though it was effective in April 2012. The Company believes that to improve corporate governance is fundamental for the development of the Company as well as for the benefits of the shareholders. And the Company will continue to improve its corporate governance. The Board is pleased to confirm that, save as disclosed, the Company has complied with the CG Code applicable during the period.

By Order of the Board  
**Chu Wai Lim**  
*Executive Director*

Hong Kong, 31 August 2012