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OPES ASIA DEVELOPMENT LIMITED

華保亞洲發展有限公司*

(Continued into Bermuda with limited liability)

(Stock Code: 810)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

INTERIM RESULTS

The Board of Directors (the “Board”) of Opes Asia Development Limited (the “Company”) announced the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, with comparative figures for the corresponding periods in 2011. 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

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

* *For identification purpose only*

	<i>Notes</i>	Six months ended 30 June	
		2012	2011
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Income tax	7	—	—
Loss for the period	6	<u>(24,941,114)</u>	<u>(25,348,172)</u>
Loss for the period attributable to owners of the Company		<u>(24,941,114)</u>	<u>(25,348,172)</u>
Loss per share attributable to owners of the Company (<i>HK cents</i>)			
– Basic and diluted	8	<u>(8.35)</u>	<u>(13.22)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Loss for the period	(24,941,114)	(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	<u>(24,941,114)</u>	<u>(26,848,172)</u>
Total comprehensive loss for the period attributable to owners of the Company	<u>(24,941,114)</u>	<u>(26,848,172)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

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

	As at 30 June 2012 HK\$ (Unaudited)	As at 31 December 2011 HK\$ (Audited)
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	2,993,000	2,494,200
Reserves	<u>103,208,155</u>	<u>111,808,582</u>
Total equity	<u>106,201,155</u>	<u>114,302,782</u>
LIABILITIES		
Current liabilities		
Other payables and accruals	<u>4,010,739</u>	<u>3,634,030</u>
Total liabilities	<u>4,010,739</u>	<u>3,634,030</u>
Total equity and liabilities	<u>110,211,894</u>	<u>117,936,812</u>
Net current assets	<u>58,603,611</u>	<u>86,070,648</u>
Total assets less current liabilities	<u>106,201,155</u>	<u>114,302,782</u>
Net assets value per share	<i>10</i> <u>0.3548</u>	<u>0.4583</u>

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

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

¹ *Effective for annual periods beginning on or after 1 July 2012*

² *Effective for annual periods beginning on or after 1 January 2013*

³ *Effective for annual periods beginning on or after 1 January 2014*

⁴ *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.

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 <i>HK\$</i>
	Hong Kong <i>HK\$</i>	The PRC <i>HK\$</i>	Australia <i>HK\$</i>	The US <i>HK\$</i>	Hong Kong <i>HK\$</i>	The PRC <i>HK\$</i>	Macau <i>HK\$</i>	
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>

	Listing Investments			Unlisted investments		Total <i>HK\$</i>
	Hong Kong <i>HK\$</i>	The PRC <i>HK\$</i>	Australia <i>HK\$</i>	Hong Kong <i>HK\$</i>	The PRC <i>HK\$</i>	
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						<u>(25,348,172)</u>

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

5. FINANCE COSTS

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

6. LOSS FOR THE PERIOD

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

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

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 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.

9. 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:

	Debt component HK\$	Derivative component HK\$
At 13 June 2012 (date of subscription) and 30 June 2012 (Unaudited)	<u>20,620,140</u>	<u>4,059,860</u>

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.

10. 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.

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

At as 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.

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 announcement, 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 announcement, 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 announcement, 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

As at the date of this announcement, the executive directors of the Company are Mr. Yang Yongdong, Mr. Chu Wai Lim and Ms. Fong Son Wa; the independent non-executive directors of the Company are Mr. Ku Siu Fun Alex, Professor Chen Yamin and Mr. Zheng Gang.