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CULTURE LANDMARK INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 674)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board of directors of Culture Landmark Investment Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$	HK\$
Turnover	2	126,419,122	125,053,119
Other income and gains		8,647,130	99,141,282
Amortisation		(18,548,810)	(32,117,947)
Costs of inventories		(40,165,403)	(40,286,388)
Depreciation of property, plant and equipment		(20,740,298)	(15,139,249)
Other operating expenses		(48,684,605)	(42,014,264)
Impairment losses		(24,222,702)	(3,774,255)
Operating lease payments		(22,920,922)	(13,537,697)
Staff costs		(37,614,567)	(33,941,533)
Finance costs		(9,013,184)	(2,464,682)
Gain on deemed disposal of available-for-sale investments		—	6,979,802
Gain on disposal of subsidiaries, net	20	4,438,457	—
Share of losses of associates	11	(1,001,212)	(2,154,865)
(Loss)/profit before income tax expense	3	(83,406,994)	45,743,323
Income tax expense	4	(1,042,156)	(1,040,021)
(Loss)/profit for the period		(84,449,150)	44,703,302

		Six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$	HK\$
	Notes		
Other comprehensive income			
Available-for-sale investments, change in fair value	12	(9,125,509)	(98,129,052)
Available-for-sale investments, reclassify from equity to profit or loss	12	9,125,509	—
Exchange differences arising on translation of foreign operations		(11,976,808)	6,536,663
Other comprehensive income for the period, net of tax		<u>(11,976,808)</u>	<u>(91,592,389)</u>
Total comprehensive income for the period		<u>(96,425,958)</u>	<u>(46,889,087)</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(77,594,230)	47,834,015
Non-controlling interests		(6,854,920)	(3,130,713)
		<u>(84,449,150)</u>	<u>44,703,302</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(89,371,342)	(43,758,374)
Non-controlling interests		(7,054,616)	(3,130,713)
		<u>(96,425,958)</u>	<u>(46,889,087)</u>
		<i>HK cents</i>	<i>HK cents</i> (Restated)
(Loss)/earnings per share			
Basic	5	<u>(12.96)</u>	<u>8.43</u>
Diluted		<u>(12.96)</u>	<u>8.43</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012 (Unaudited) Notes HK\$	31 March 2012 (Audited) HK\$
Assets			
Non-current assets			
Property, plant and equipment	7	148,817,288	159,847,706
Investment properties		82,873,000	82,873,000
Payments for leasehold land held for own use under operating leases	8	183,002,151	200,840,319
Goodwill	9	97,738,930	156,830,935
Intangible assets	10	126,010,859	134,228,952
Interests in associates	11	65,135,147	–
Available-for-sale investments	12	177,031,385	184,637,923
Deferred expenditure		5,102,994	4,563,214
		<u>885,711,754</u>	<u>923,822,049</u>
Total non-current assets			
Current assets			
Inventories		29,724,905	23,995,115
Convertible notes receivable		4,449,740	–
Trade and other receivables	13	243,680,403	210,949,737
Deferred expenditure		6,199,182	11,710,428
Amounts due from non-controlling shareholders		4,000	4,000
Amounts due from related parties		–	17,538,001
Amount due from an associate		7,833	–
Cash and cash equivalents		145,356,532	241,293,743
		<u>429,422,595</u>	<u>505,491,024</u>
Assets classified as held for sale	14	1,089,255	102,075,776
Total current assets		<u>430,511,850</u>	<u>607,566,800</u>
Total assets		<u>1,316,223,604</u>	<u>1,531,388,849</u>

		30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
	<i>Notes</i>		
Liabilities			
Current liabilities			
Trade and other payables	15	171,585,752	149,638,532
Amounts due to non-controlling shareholders		93,753,698	102,494,172
Amounts due to related parties		31,125,559	50,517,012
Bank borrowings	16	96,598,273	100,883,650
Other borrowing	17	30,000,000	19,000,000
Convertible bonds	18	–	74,477,355
Current tax liabilities		14,747,038	12,198,694
		437,810,320	509,209,415
Liabilities associated with assets classified as held for sale			
	14	538,717	448,581
Total current liabilities		438,349,037	509,657,996
Net current (liabilities)/assets		(7,837,187)	97,908,804
Total assets less current liabilities		877,874,567	1,021,730,853
Non-current liabilities			
Bank borrowings	16	7,092,025	10,855,768
Provision for long service payments		344,768	224,689
Deferred tax liabilities		62,415,497	64,317,850
Total non-current liabilities		69,852,290	75,398,307
Total liabilities		508,201,327	585,056,303
NET ASSETS		808,022,277	946,332,546
Capital and reserves attributable to owners of the Company			
Share capital		598,767,047	598,767,047
Reserves		218,015,904	289,672,251
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets/ disposal group classified as held for sale	14	–	25,130,925
Non-controlling interests		816,782,951 (8,760,674)	913,570,223 32,762,323
TOTAL EQUITY		808,022,277	946,332,546

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital HK\$	Share premium HK\$	Other reserves HK\$	Contributed surplus HK\$	Employee share-based compensation reserve HK\$	Other properties revaluation reserve HK\$	Convertible bonds reserve HK\$	Foreign exchange reserve HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Equity attributable to owners of the Company HK\$	Non- controlling interests HK\$	Total equity HK\$
At 1 April 2012 (Audited)	598,767,047	2,024,217,103	(2,370,305)	28,784,000	5,453,278	29,007,507	3,813,559	79,061,440	-	(1,853,163,406)	913,570,223	32,762,323	946,332,546
Loss for the period	-	-	-	-	-	-	-	-	-	(77,594,230)	(77,594,230)	(6,854,920)	(84,449,150)
Available-for-sale investments, change in fair value (note 12)	-	-	-	-	-	-	-	-	(9,125,509)	-	(9,125,509)	-	(9,125,509)
Available-for-sale investments, reclassify from equity to profit or loss (note 12)	-	-	-	-	-	-	-	-	9,125,509	-	9,125,509	-	9,125,509
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	(11,777,112)	-	-	(11,777,112)	(199,696)	(11,976,808)
Total comprehensive income	-	-	-	-	-	-	-	(11,777,112)	-	(77,594,230)	(89,371,342)	(7,054,616)	(96,425,958)
Equity-settled share- based transactions (note 19)	-	-	-	-	244,722	-	-	-	-	-	244,722	-	244,722
Redemption of convertible bonds (note 18)	-	-	-	-	-	-	(1,742,037)	-	-	-	(1,742,037)	-	(1,742,037)
Release of reserve (note 18)	-	-	-	-	-	-	(2,071,522)	-	-	2,071,522	-	-	-
Acquisition of additional interests in a subsidiary	-	-	(5,918,615)	-	-	-	-	-	-	-	(5,918,615)	1,478,681	(4,439,934)
Disposal of interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(35,947,062)	(35,947,062)
At 30 September 2012 (Unaudited)	<u>598,767,047</u>	<u>2,024,217,103</u>	<u>(8,288,920)</u>	<u>28,784,000</u>	<u>5,698,000</u>	<u>29,007,507</u>	<u>-</u>	<u>67,284,328</u>	<u>-</u>	<u>(1,928,686,114)</u>	<u>816,782,951</u>	<u>(8,760,674)</u>	<u>808,022,277</u>
At 1 April 2011 (Audited)	511,091,570	1,825,805,591	(2,370,305)	28,784,000	3,952,277	149,652,642	-	57,150,540	-	(1,696,294,128)	877,772,187	11,369,197	889,141,384
Profit for the period	-	-	-	-	-	-	-	-	-	47,834,015	47,834,015	(3,130,713)	44,703,302
Available-for-sale investments, change in fair value	-	-	-	-	-	-	-	-	(98,129,052)	-	(98,129,052)	-	(98,129,052)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	6,536,663	-	-	6,536,663	-	6,536,663
Total comprehensive income	-	-	-	-	-	-	-	6,536,663	(98,129,052)	47,834,015	(43,758,374)	(3,130,713)	(46,889,087)
Equity-settled share- based transactions (note 19)	-	-	-	-	1,014,215	-	-	-	-	-	1,014,215	-	1,014,215
Issuance of ordinary shares	87,675,477	152,578,179	-	-	-	-	-	-	-	-	240,253,656	-	240,253,656
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	152,472	152,472
Release of revaluation reserve upon disposed of property, net of tax	-	-	-	-	-	(80,715,936)	-	-	-	80,715,936	-	-	-
At 30 September 2011 (Unaudited)	<u>598,767,047</u>	<u>1,978,383,770</u>	<u>(2,370,305)</u>	<u>28,784,000</u>	<u>4,966,492</u>	<u>68,936,706</u>	<u>-</u>	<u>63,687,203</u>	<u>(98,129,052)</u>	<u>(1,567,744,177)</u>	<u>1,075,281,684</u>	<u>8,390,956</u>	<u>1,083,672,640</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash used in operating activities	(59,109,124)	(87,429,816)
Net cash used in investing activities	(24,124,832)	(14,284,703)
Net cash (used in)/generated from financing activities	(4,957,722)	30,436,151
Net decrease in cash and cash equivalents	(88,191,678)	(71,278,368)
Effect of foreign exchange rate changes	(7,761,663)	(1,766,737)
Cash and cash equivalents at beginning of period	242,321,532	252,689,628
Cash and cash equivalents at end of period	146,368,191	179,644,523
Cash and cash equivalents presented under:		
Cash and cash equivalents	145,356,532	178,467,014
Assets classified as held for sale	1,011,659	1,177,509
	146,368,191	179,644,523

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements have been prepared under historical cost basis except for certain properties, financial assets at fair value through profit or loss and available-for-sale investments, which are measured at revalued amount or fair value.

The interim financial information does not include all the information and disclosure required in the Group’s annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012.

Except as described below, the accounting policies and method of computation used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

Since cessation of elimination of convertible notes receivable due to disposal of China Media and Films Holdings Limited (“CMF”) during the six months ended 30 September 2012, the following accounting policy of convertible notes receivable has been applied.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

The following amendment to standard is mandatory for the financial year beginning on 1 April 2012 which is relevant to the Group:

HKAS 12 (Amendment)	Deferred tax – Recovery of underlying assets
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Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property by property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. In respect of the Group’s investment properties located in the People’s Republic of China (“PRC”), the Group determined that these properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

The following amendment to existing standard is mandatory for the financial year beginning on 1 April 2012, but are not currently relevant to the Group.

HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
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The following revised standards, amendments and interpretations which are relevant to the Group have been issued, but are not effective for the financial year beginning on 1 April 2012 and have not been early adopted:

HKFRSs (Amendment)	Annual Improvement to HKFRSs 2009 – 2011 Cycle ²
HKFRS 10, HKFRS 11, and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities, Transition Guidance ²
HKFRS 1 (Amendment)	Government Loan ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendment)	Presentation of Financial Statements ¹
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investment in Associates and Joint Ventures ²
HKAS 32 (Amendment) and HKFRS 7 (Amendment)	Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 7 and HKFRS 9 (Amendment) Mandatory Effective Date of HKFRS 9 and Transition Disclosure ³	

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 July 2015

⁴ Effective for annual periods beginning on or after 1 January 2013 and 2014, as appropriate

The Group has already commenced an assessment of the impact of the new standards, amendments to standards and interpretations to existing standards but is not yet in a position to state whether these new standards, amendments to standards or interpretations to existing standards would have a significant impact on the Group's result of operations and financial position.

2. SEGMENT INFORMATION

Management determines operating segments based on the reports regularly reviewed by the chief operating decision maker, which is the board of directors, in assessing performance and allocating resources. The chief operation decision maker considers the business primarily on the basis of the type of services supplied by the Group. The Group is currently organised into seven operating divisions – licence fee collection business, hotel operations, exhibition-related business, property sub-leasing business, entertainment business, property investment and restaurant operations.

Principal activities are as follows:

Licence fee collection business	–	Provision of copyright licence fees settlement and collection services and intellectual property enforcement services in respect of karaoke copyright in the PRC as managed and administered by the China Audio-Video Copyright Association, the sole official recognised national audio-video organisation in the PRC
Hotel operations	–	ownership, operation and management of hotel
Exhibition-related business	–	organising all kinds of exhibition events and meeting events
Property sub-leasing business	–	sub-leasing of properties in the PRC
Entertainment business	–	provision of talent management and entertainment business
Property investment	–	leasing of investment properties
Restaurant operations	–	sale of food and beverages

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss and other information

	Six months ended 30 September 2012 (Unaudited)								
	Licence fee collection business HK\$	Hotel operations HK\$	Exhibition- related business HK\$	Property sub-leasing business HK\$	Entertainment business HK\$	Property investment HK\$	Restaurant operations HK\$	Inter- segment elimination HK\$	Total HK\$
Reportable segment revenue									
External sales	15,385,401	29,907,286	26,570,287	39,320,999	11,069,887	2,745,978	1,419,284	-	126,419,122
Inter-segment sales	-	-	-	-	-	-	192,551	(192,551)	-
	<u>15,385,401</u>	<u>29,907,286</u>	<u>26,570,287</u>	<u>39,320,999</u>	<u>11,069,887</u>	<u>2,745,978</u>	<u>1,611,835</u>	<u>(192,551)</u>	<u>126,419,122</u>
Reportable segment profit/ (loss) before income tax expense	<u>(18,759,796)</u>	<u>(34,652,868)</u>	<u>332,537</u>	<u>7,805,630</u>	<u>703,869</u>	<u>5,684,249</u>	<u>(282,468)</u>	<u>-</u>	<u>(39,168,847)</u>
Other segment information									
Interest income	194,652	-	25,934	-	65	87	40	-	220,778
Interest expenses	33,251	-	-	4,882,698	111,217	-	-	-	5,027,166
Depreciation of property, plant and equipment	1,268,720	10,666,699	182,309	6,243,622	107,556	-	-	-	18,468,906
Amortisation of payments for leasehold land held for own use under operating leases	-	1,947,722	-	-	-	-	-	-	1,947,722
Amortisation of intangible assets	5,849,123	-	1,589,120	-	-	-	-	-	7,438,243
Amortisation of deferred expenditure	9,162,845	-	-	-	-	-	-	-	9,162,845
Impairment loss on property, plant and equipment	-	915,983	-	-	-	-	-	-	915,983
Impairment loss on payments for leasehold land held for own use under operating leases (note 8)	-	14,181,210	-	-	-	-	-	-	14,181,210
Gain on disposal of subsidiaries	-	-	-	-	4,438,457	-	-	-	4,438,457
Share of loss of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,212</u>
Reportable segment assets	<u>350,231,156</u>	<u>186,197,235</u>	<u>76,885,809</u>	<u>302,263,730</u>	<u>148,599,942</u>	<u>91,028,429</u>	<u>26,143,377</u>	<u>-</u>	<u>1,181,349,678</u>
Reportable segment liabilities	<u>189,162,912</u>	<u>40,675,030</u>	<u>34,114,468</u>	<u>185,662,512</u>	<u>6,329,934</u>	<u>15,976,660</u>	<u>3,582,334</u>	<u>-</u>	<u>475,503,850</u>

The inter-segment sales were charged at prevailing market rates.

Six months ended 30 September 2011 (Unaudited)

	Licence fee collection business HK\$	Hotel operations HK\$	Exhibition- related business HK\$	Property sub-leasing business HK\$	Entertainment business HK\$	Property investment HK\$	Restaurant operations HK\$	Inter- segment elimination HK\$	Total HK\$
Reportable segment revenue									
External sales	38,877,871	38,586,314	25,035,895	18,389,789	2,289,308	1,845,695	28,247	–	125,053,119
Inter-segment sales	–	–	–	–	–	–	272,846	(272,846)	–
	<u>38,877,871</u>	<u>38,586,314</u>	<u>25,035,895</u>	<u>18,389,789</u>	<u>2,289,308</u>	<u>1,845,695</u>	<u>301,093</u>	<u>(272,846)</u>	<u>125,053,119</u>
Reportable segment profit/ (loss) before income tax expense	<u>(12,833,394)</u>	<u>(13,901,618)</u>	<u>93,881</u>	<u>5,336,199</u>	<u>4,843,295</u>	<u>97,272,568</u>	<u>(2,166,505)</u>	<u>–</u>	<u>78,644,426</u>
Other segment information									
Interest income	293,998	–	–	–	77	172	26	–	294,273
Interest expenses	–	–	–	2,464,682	–	–	–	–	2,464,682
Depreciation of property, plant and equipment	395,445	10,416,253	43,244	2,150,695	127,862	–	–	–	13,133,499
Amortisation of payments for leasehold land held for own use under operating leases	–	2,003,629	–	–	–	–	–	–	2,003,629
Amortisation of intangible assets	58,442	–	1,280,333	–	–	–	–	–	1,338,775
Amortisation of deferred expenditure	28,775,543	–	–	–	–	–	–	–	28,775,543
Impairment loss on property, plant and equipment	42,546	–	–	–	–	–	–	–	42,546
Impairment loss on goodwill	–	–	–	–	–	–	1,280,000	–	1,280,000
Impairment loss on other receivables	2,358,409	–	93,300	–	–	–	–	–	2,451,709
Gain on deemed disposal of available-for-sale investments	–	–	–	–	6,979,802	–	–	–	6,979,802
Share of loss of associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,154,865</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,154,865</u>
Reportable segment assets (As at 31 March 2012)	<u>354,397,705</u>	<u>223,334,054</u>	<u>64,027,135</u>	<u>290,771,683</u>	<u>253,053,841</u>	<u>188,282,544</u>	<u>21,202,195</u>	<u>–</u>	<u>1,395,069,157</u>
Reportable segment liabilities (As at 31 March 2012)	<u>169,366,715</u>	<u>40,097,106</u>	<u>21,850,536</u>	<u>180,935,982</u>	<u>15,152,818</u>	<u>26,236,637</u>	<u>4,046,655</u>	<u>–</u>	<u>457,686,449</u>

The inter-segment sales were charged at prevailing market rates.

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Reportable segment (loss)/profit before income tax expense	(39,168,847)	78,644,426
Unallocated interest income and other income	1,836,965	1,461,890
Unallocated impairment loss on available-for-sale investments	(9,125,509)	–
Unallocated finance costs	(3,986,018)	–
Unallocated staff costs	(8,471,368)	(11,955,468)
Unallocated rent, rate and management fee	(5,163,252)	(5,091,473)
Unallocated depreciation	(2,271,392)	(2,005,750)
Unallocated head office and corporate expenses	(17,057,573)	(15,310,302)
	(83,406,994)	45,743,323
Assets		
	30 September	31 March
	2012	2012
	(Unaudited)	(Audited)
	HK\$	HK\$
Reportable segment assets	1,181,349,678	1,395,069,157
Cash and cash equivalents	29,660,993	16,905,973
Property, plant and equipments	16,365,615	14,705,827
Loan receivables	52,500,000	88,500,000
Unallocated head office and corporate assets	36,347,318	16,207,892
	1,316,223,604	1,531,388,849
Liabilities		
	30 September	31 March
	2012	2012
	(Unaudited)	(Audited)
	HK\$	HK\$
Reportable segment liabilities	475,503,850	457,686,449
Bank overdrafts	–	29,210,909
Other borrowing	30,000,000	19,000,000
Convertible bonds	–	74,477,355
Unallocated head office and corporate liabilities	2,697,477	4,681,590
	508,201,327	585,056,303

3. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense has been arrived at after crediting and charging:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Crediting		
Bank interest income	286,436	729,029
Loan interest income	1,771,205	960,959
Gain on disposal of investment properties (included in other income and gains)	5,770,688	96,570,743
	<u>5,770,688</u>	<u>96,570,743</u>
Charging		
Amortisation on		
– payments for leasehold land held for own use under operating leases	1,942,722	2,003,629
– intangible assets	7,438,243	1,338,775
– deferred expenditure	9,162,845	28,775,543
	<u>9,162,845</u>	<u>28,775,543</u>
Impairment loss on		
– property, plant and equipment	915,983	42,546
– payments for leasehold land held for own use under operating leases	14,181,210	–
– other receivables	–	2,451,709
– goodwill	–	1,280,000
– available-for-sale investments	9,125,509	–
	<u>9,125,509</u>	<u>–</u>
Equity-settled share-based compensation	244,722	1,014,215
	<u>244,722</u>	<u>1,014,215</u>

The increase in finance costs was mainly attributable to the increase in interest on other borrowing and effective interest expenses on convertible bonds.

The increase in operating lease payments was mainly attributable to incorporating 6-month results of property sub-leasing business in 2012 rather than 3-month results of property sub-leasing business in 2011.

4. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of comprehensive income represents:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Current tax – Hong Kong Profits Tax	–	208,601
Current tax – PRC Enterprise Income Tax	57,817	749,010
Deferred tax	984,339	82,410
	<u>1,042,156</u>	<u>1,040,021</u>

For the six months ended 30 September 2012, no provision for Hong Kong profit tax has been made as the Hong Kong subsidiaries have no assessable profits in Hong Kong.

For the six months ended 30 September 2011, Hong Kong subsidiaries reported estimated assessable profit. Hong Kong profit tax is calculated at 16.5% on the estimated assessable profits for the period.

For the six months ended 30 September 2012 and 2011, PRC subsidiaries and jointly controlled entities are subject to PRC Enterprise Income Tax at 25%.

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company of (HK\$77,594,230) (2011: HK\$47,834,015) and on the weight average number of 598,767,047 ordinary shares (2011: 567,115,698 ordinary shares, restated) in issue during the period, as adjusted to reflect share consolidation after the reporting date but before the approval of these unaudited condensed consolidated financial statements (see note 25(a)). There are no dilutive effects of the share options granted as they are anti-dilutive.

6. DIVIDENDS

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired property, plant and equipment at cost of HK\$11,553,726 (2011: HK\$9,017,854).

An impairment loss on property, plant and equipment used in the hotel operations of HK\$915,983 was made during the six months ended 30 September 2012 due to keen competition in hotel business which resulted in weak performance for that period and uncertainty arose for subsequent years. The impairment loss was determined with reference to a valuation provided by Savills Valuation and Professional Services Limited ("Savills"), an independent professional valuer. The valuation was arrived at by considering the capitalised net earnings to be derived from the hotel operations. The discount rate applied to the valuation is 10% (2011: 9%).

8. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The impairment of HK\$14,181,210 was recognised (2011: Nil) in respect of a parcel of land currently used for hotel operations in 2012. The recoverable amount of land is determined using the same basis as explained in note 7 on the hotel operations.

9. GOODWILL AND IMPAIRMENT

	Provision of copyright licence fees settlement and collection services HK\$	Provision of intellectual property enforcement services (note (a)) HK\$	Exhibition- relation business HK\$	Property sub-leasing business (note (b)) HK\$	Restaurant operations HK\$	Entertainment business HK\$	Wedding services HK\$	Others HK\$	Total HK\$
Cost									
At 1 April 2011	1,156,654,441	79,427,363	–	–	920,494	15,287,287	18,988,140	15,000	1,271,292,725
Arising from business combination	–	–	113,345,357	18,311,567	1,280,000	84,078,892	–	–	217,015,816
At 31 March 2012 and 1 April 2012	1,156,654,441	79,427,363	113,345,357	18,311,567	2,200,494	99,366,179	18,988,140	15,000	1,488,308,541
Disposal of subsidiaries (note 20)	–	–	–	–	–	(84,078,892)	–	–	(84,078,892)
At 30 September 2012	1,156,654,441	79,427,363	113,345,357	18,311,567	2,200,494	15,287,287	18,988,140	15,000	1,404,229,649
Impairment									
At 1 April 2011	1,156,654,441	–	–	–	920,494	15,287,287	18,988,140	15,000	1,191,865,362
Impairment loss	–	–	113,345,357	–	1,280,000	24,986,887	–	–	139,612,244
At 31 March 2012 and 1 April 2012	1,156,654,441	–	113,345,357	–	2,200,494	40,274,174	18,988,140	15,000	1,331,477,606
Disposal of subsidiaries (note 20)	–	–	–	–	–	(24,986,887)	–	–	(24,986,887)
At 30 September 2012	1,156,654,441	–	113,345,357	–	2,200,494	15,287,287	18,988,140	15,000	1,306,490,719
Carrying value									
At 30 September 2012	–	79,427,363	–	18,311,567	–	–	–	–	97,738,930
At 31 March 2012	–	79,427,363	–	18,311,567	–	59,092,005	–	–	156,830,935

In accordance with HKAS 36 “Impairment of assets”, management of the Group performed impairment test for goodwill allocated to the Group’s various cash generating units (“CGUs”) by comparing their recoverable amounts to their carrying amounts at the end of the reporting period. The recoverable amount of a CGU is determined based on value-in-use calculation.

- (a) The recoverable amount of the CGU in relation to provision of intellectual property enforcement services has been determined from value-in-use calculation based on cash flow projections covering a ten-year period, which is the period whereby an exclusive right has been granted to the Group by the China Audio-Video Copyright Association to provide intellectual property enforcement services. No impairment was provided on goodwill from the provision of intellectual property enforcement services as cashflow forecast indicates that there will be net cash inflows in this CGU.

Management of the Group has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill and intangible assets (note 10(a)):

- The China Audio-Video Copyright Association will continuously arrange collection agent to carry out the copyright licence fees settlement and collection services.
- The revenue growth rate and discount rate used for cash flow projections for the provision of intellectual property enforcement services are as follows:

	2013	2014	2015	2016	2017
Revenue growth rate	96%	82%	68%	35%	24%
Discount rate	19%	19%	19%	19%	19%

- Cash flows beyond the five-year period are extrapolated using the estimated revenue growth rate of 5% per annum.

During the six months ended 30 September 2012, the Group has also performed sensitivity analysis calculations on the future cash flows adopted in the cash flow projections. Sensitivity analysis is based on a 20% decline in future cash flows because changes up to this magnitude are reasonably possible. If the actual present value of future cash flows were 20% lower than the anticipated present value, it would still be sufficient to support the carrying amount of CGU regarding provision of intellectual property enforcement services.

- (b) The estimated recoverable amount is determined based on value-in-use calculation. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using a 5% revenue growth rate per annum. Discount rate of 19% per annum is used in the calculation. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. At the end of the reporting period, no impairment was provided on goodwill from the sub-leasing business as the recoverable amount is higher than the carrying amount of the CGU.

10. INTANGIBLE ASSETS

	Provision of copyright licence fees settlement and collection services HK\$	Provision of intellectual property enforcement services (note (a)) HK\$	Karaoke CMS HK\$	Golf club memberships HK\$	Website HK\$	Customer relationship and customer contracts (note (b)) HK\$	Film rights HK\$	Films in progress HK\$	Total HK\$
Cost									
At 1 April 2011	125,717,920	111,221,900	7,104,436	2,034,150	151,461	–	–	–	246,229,867
Acquired through business combination	–	–	–	–	–	38,410,000	1,188,218	413,422	40,011,640
Exchange differences	5,603,010	5,184,053	278,970	20,975	11,376	–	–	–	11,098,384
At 31 March 2012 and 1 April 2012	131,320,930	116,405,953	7,383,406	2,055,125	162,837	38,410,000	1,188,218	413,422	297,339,891
Disposal of subsidiaries	–	–	–	–	–	–	(1,188,218)	(413,422)	(1,601,640)
Exchange differences	(1,154,696)	(1,023,549)	(64,922)	(4,881)	(1,432)	–	–	–	(2,249,480)
At 30 September 2012	130,166,234	115,382,404	7,318,484	2,050,244	161,405	38,410,000	–	–	293,488,771
Accumulated amortisation and impairment									
At 1 April 2011	125,717,920	2,780,547	7,104,436	543,890	151,461	–	–	–	136,298,254
Amortisation for the year	–	11,640,595	–	116,884	–	2,880,750	–	–	14,638,229
Impairment loss	–	–	–	–	–	6,130,525	–	–	6,130,525
Exchange differences	5,603,010	129,601	278,970	20,974	11,376	–	–	–	6,043,931
At 31 March 2012 and 1 April 2012	131,320,930	14,550,743	7,383,406	681,748	162,837	9,011,275	–	–	163,110,939
Amortisation for the period	–	5,790,681	–	58,442	–	1,589,120	–	–	7,438,243
Exchange differences	(1,154,696)	(1,845,339)	(64,922)	(4,881)	(1,432)	–	–	–	(3,071,270)
At 30 September 2012	130,166,234	18,496,085	7,318,484	735,309	161,405	10,600,395	–	–	167,477,912
Net book value									
At 30 September 2012	–	96,886,319	–	1,314,935	–	27,809,605	–	–	126,010,859
At 31 March 2012	–	101,855,210	–	1,373,377	–	29,398,725	1,188,218	413,422	134,228,952

- (a) The recoverable amount of the CGU of provision of intellectual property enforcement services to which the intellectual property enforcement services right is allocated has been determined by the value-in-use calculation, the details of which are disclosed in note 9(a). At the end of the reporting period, management of the Group determined that there was no impairment as the recoverable amount exceeded its carrying amount.
- (b) Customer relationship and among customer contracts represent the long established relationship the China Resources Advertising & Exhibition Company Limited and its subsidiaries (the “CRA Group”) with the Hong Kong Trade Development Council (“HKTDC”) and various sub-councils of the China Council for the Promotion of International Trade in the PRC for some large-scale trade fairs, which are mostly organised by HKTDC. The CRA Group has been consistently appointed by HKTDC as the sole agent of China Pavilion for the Hong Kong Fashion Week for Spring/Summer and Fall/Winter. These customer relationship and customer contracts have estimated useful life of ten years. At the end of the reporting period, management of the Group determined that there was no impairment as the recoverable amount exceeded its carrying amount.

11. INTERESTS IN ASSOCIATES

	30 September 2012 (unaudited) HK\$	31 March 2012 (Audited) HK\$
Share of net assets of the associates	41,004,550	916,388
Goodwill	51,271,071	26,224,086
Impairment loss provision	(27,140,474)	(27,140,474)
	<u>65,135,147</u>	<u>—</u>

- (i) On 28 May 2012, Eternity Investment Limited (“Eternity”) and the Company entered into a sale and purchase agreement, pursuant to which Eternity has conditionally agreed to acquire, and the Company has conditionally agreed to sell, approximately 29% of the entire issued share capital of CMF as at the date of the sale and purchase agreement, for a consideration of HK\$51,324,000 (equivalent to HK\$0.35 per share). The consideration shall be settled in cash upon completion. The disposal was approved by the Company’s shareholders during a special general meeting held on 10 July 2012. Upon completion of the disposal on 3 August 2012 as disclosed in note 20(a), CMF and its subsidiaries became associates of the Group.

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

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Total assets	141,219,631	41,381,413
Total liabilities	(49,880,851)	(37,266,514)
Net assets	<u>91,338,780</u>	<u>4,114,899</u>
Group’s share of net assets of associates	<u>41,004,550</u>	<u>916,388</u>

	Six months ended 30 September 2012 (Unaudited) HK\$		2011 (Unaudited) HK\$
Total revenue	5,908,550		23,257,206
Total expenses	(8,087,467)		(32,419,147)
Net losses	(2,178,917)		(9,161,941)
Group's share of losses of associates	(1,001,212)		(2,154,865)

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Listed securities in Hong Kong, at fair value (note (a))	76,764,821	85,890,330
Contingent consideration in relation to acquisition of subsidiaries (note (b))	100,266,564	98,747,593
	177,031,385	184,637,923

- (a) Available-for-sale investments at 30 September 2012 represented 12.27% and 0.1% equity interests in Cosmopolitan International Holdings Limited ("Cosmopolitan") and Brockman Mining Limited ("Brockman") (formerly known as "Wah Nam International Holdings Limited") held by the Group respectively. Both companies are listed on the Main Board of the Stock Exchange. As at 30 September 2012, the carrying amounts of available-for-sale investments in Cosmopolitan and Brockman were HK\$73,749,301 and HK\$3,015,520 respectively. For the six months ended 30 September 2012, the change in fair value on the available-for-sale investments of the Group amounted to HK\$9,125,509 was recognised in the profit or loss as the directors considered the decline in fair value constituted objective evidence of impairment.

The fair values of listed equity investments are based on quoted market prices.

As at 30 September 2012, 12.27% equity interests in Cosmopolitan with carrying amount of HK\$73,749,301 were pledged to an independent third party as security for other borrowing of HK\$30 million granted to the Group (note 17).

- (b) The contingent consideration in related to acquisition of subsidiaries was secured by 40% equity interests of Elite-China Cultural Development Limited which was held by FeiFan Cultural Development Limited, a non-controlling interest of the Group's subsidiaries.

The contingent consideration related to acquisition of subsidiaries was valued at 31 March 2012 on option pricing model basis by Savills, an independent professional valuer, and the directors are of the opinion that the fair value at 30 September 2012 was not significantly different from the one measured at 31 March 2012.

13. TRADE AND OTHER RECEIVABLES

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Trade debtors (<i>note (a)</i>)	75,396,753	73,037,296
Deposits, prepayments and other receivables (<i>note (b)</i>)	112,115,361	45,711,611
Bank deposit pledged for bank loan (<i>note 16</i>)	3,668,289	3,700,830
Loan receivables (<i>note (c)</i>)	52,500,000	88,500,000
	243,680,403	210,949,737

Notes:

- (a) Included in trade and other receivables are trade debtors with the following ageing analysis as of the end of each reporting period:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Current	13,049,893	22,651,562
Less than 1 month past due	180,046	936,665
1 to 3 months past due	555,660	7,890,033
More than 3 months but less than 12 months past due	20,078,912	663,943
More than 12 months past due	41,532,242	40,895,093
Amount past due at the end of reporting period but not impaired (<i>note</i>)	62,346,860	50,385,734
	75,396,753	73,037,296

Note: The balances that were past due but not impaired relate to number of customers that have good track record with the Group. In particular, included in the amount with more than 3 months past due was an amount of HK\$61,611,154 (31 March 2012: HK\$40,868,225) in connection with the provision of karaoke music product copyright licence fees settlement and collection services. After the settlement of arbitration decision as disclosed in note 24, the management has taken actions to recover the outstanding balances. Based on past experience, the management estimated that the outstanding balances could be fully recovered.

- (b) The increase in deposits, prepayments and other receivables was mainly attributable to the increase in deposits and prepayments for leasehold improvements of property sub-leasing business of HK\$33,788,233, the deposit paid for the proposed acquisition of Media Sound Technology Limited ("Media Sound") of HK\$15,000,000 (see note 25(b)) and the increase in deposits paid of exhibition-related business of HK\$13,433,199 due to seasonal fluctuation.

(c) Loan receivables represented:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Loan to an independent third party (<i>note (i)</i>)	22,500,000	50,000,000
Loans to non-controlling shareholders:		
– advances to Media Sound (<i>note (ii)</i>)	30,000,000	30,000,000
– advances to Long Sincere International Limited (“Long Sincere”) (<i>note (iii)</i>)	<u>–</u>	<u>8,500,000</u>
	<u>52,500,000</u>	<u>88,500,000</u>

(i) It represented advances to an independent third party. On 25 May 2012, the Group and independent third party entered into a loan agreement in which the Group agreed to advance to the independent third party a loan in the principal amount of HK\$22,500,000. The loan was secured by 50,000,000 ordinary shares of Brockman. The loan bears an effective interest rate of 8% per annum and shall be repayable in 12 months from the date of advance.

(ii) On 17 October 2011, the Group and Media Sound Technology Limited (“Media Sound”), a non-controlling shareholder of a subsidiary of the Group, entered into a loan agreement in which the Group agreed to advance to Media Sound a loan in the principal amount of HK\$30,000,000. The loan is secured by 19.2% of the entire shareholdings of Song Labs Co., Limited, a subsidiary of the Group, which is also owned by Media Sound. The loan bears an effective interest rate of 5% per annum and shall be repayable in 12 months from the date of advance. Pursuant to a supplemental agreement dated 15 October 2012, the Group and Media Sound agreed to extend the repayment date from 17 October 2012 to 17 April 2013.

Interest income relating to loan to Media Sound of HK\$744,026 (2011: Nil) was recognised during the six months ended 30 September 2012.

(iii) On 8 July 2011 and 9 September 2011, the Group and Long Sincere, a non-controlling shareholder of a subsidiary of the Group, entered into two loan agreements in which the Group agreed to advance to Long Sincere loans in the total principal amount of HK\$8,500,000. The loans are secured by 20 ordinary shares of Welly Champ International Limited (“Welly Champ”), a subsidiary of the Group which is owned by Long Sincere. The loan bears an effective interest rate of 5% per annum.

On 30 April 2012, the Company entered into an agreement with Long Sincere and Ms. Wang Wei for the acquisition of 10 shares of US\$1 each representing 4.235% of the issued share capital of, and the benefit of 50% of all amounts as at the completion date due from, Welly Champ for an aggregate consideration of HK\$9 million in cash and the total principal amount by the loans of HK\$8,500,000 was set off as part of the consideration on 30 April 2012.

Interest income relating to loans to Long Sincere of HK\$32,881 (2011: HK\$77,397) was recognised during the six months ended 30 September 2012.

14. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Leasehold land and buildings	–	34,600,000
Investment property	–	66,389,565
Assets related to a subsidiary engaged in entertainment business	1,089,255	1,086,211
	1,089,255	102,075,776
Assets classified as held for sale		
Liabilities related to a subsidiary engaged in entertainment business	538,717	448,581
Liabilities associated with assets classified as held for sale	538,717	448,581
Gain on revaluation of properties	–	25,130,925
Cumulative other comprehensive income relating to non-current assets/disposal group classified as held for sale	–	25,130,925

The Group has exercised its right to require a non-controlling shareholder to buy-back its 60% equity interests of a subsidiary, Chance Music Limited, at a consideration of HK\$15,000,000. The buy-back arrangement is still under negotiation up to the date of this announcement. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Property, plant and equipment	31,346	24,532
Trade and other receivables	46,250	33,890
Cash and cash equivalents	1,011,659	1,027,789
Assets classified as held for sale	1,089,255	1,086,211
Trade and other payables	538,717	448,581
Liabilities associated with assets classified as held for sale	538,717	448,581

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$50,401,187 (31 March 2012: HK\$41,643,988). The ageing analysis of trade payables at the end of each reporting period is as follows:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Current or within 30 days	14,158,354	10,372,855
31 to 60 days	1,355,944	4,905,551
61 to 90 days	555,009	2,702,244
Over 90 days	34,331,880	23,663,338
	50,401,187	41,643,988

16. BANK BORROWINGS

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Secured:		
Bank borrowings	103,690,298	82,528,509
Bank overdrafts	–	29,210,909
Total bank loans	103,690,298	111,739,418

At the end of the reporting period, the bank loans were scheduled to repay as follows:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Bank loans repayable:		
Within one year	96,598,273	100,883,650
More than one year, but not exceeding two years	7,092,025	10,855,768
	103,690,298	111,739,418
Less: Amount due within one year included in current liabilities	(96,598,273)	(100,883,650)
Amount due after one year	7,092,025	10,855,768

Notes:

Personal and corporate guarantees were given to banks for certain bank loans by Mr. Yang Lei, a director of certain subsidiaries of the Company, and a related company, which is beneficially owned by Mr. Yang Lei and his spouse. Bank deposits of HK\$3,668,289 (31 March 2012: HK\$3,700,830) were pledged. Further, personal assets of Mr. Yang Lei have been pledged to secure the bank loans. The effective-interest rate is 9.5% per annum (31 March 2012: 9.39% per annum).

17. OTHER BORROWING

On 19 September 2012, the Group entered into an agreement with an independent third party to borrow a loan of HK\$30,000,000. The loan will be mature on 18 January 2013. The effective interest rate is 15% per annum.

The loan was secured by 1,446,064,745 ordinary shares of Cosmopolitan with carrying amount of HK\$73,749,301 which are classified as available-for-sale investments (note 12) and a personal guarantee given by Mr. Cheng Yang, a director of the Company.

18. CONVERTIBLE BONDS

On 29 December 2011, the Company issued convertible bonds with principal amount of HK\$75,000,000 to Wingo Consultants Limited, a wholly owned subsidiary of Eternity.

On 28 May 2012, the Company early redeemed the principal amount of HK\$23,000,000. Subsequently, on 3 August 2012, the Company early redeemed the remaining principal amount of HK\$52,000,000. An amount of HK\$2,071,522 was transferred from convertible bonds reserve to accumulated losses upon redemption of the convertible bonds.

The movements of the liability component of the convertible bonds for the period/year are set out below:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Carrying amount at the beginning of period/year	74,477,355	–
Convertible bonds issued	–	71,186,441
Effective interest expense	3,656,882	3,290,914
Redemption	(78,134,237)	–
Carrying amount at the end of period/year	–	74,477,355

19. SHARE OPTIONS

On 29 August 2012, the share option scheme adopted on 30 August 2002 (the “Old Share Option Scheme”) by the Company was expired. On 30 August 2012, the Company adopted a new share option scheme (the “New Share Option Scheme”) which was approved in the Company’s annual general meeting on 29 August 2012. The New Share Option Scheme will remain in force for a period of 10 years from 30 August 2012. A summary of the rules of the New Share Option Scheme is set out in the appendix to the Company’s circular dated 20 July 2012.

On 29 July 2010, options were granted to Mr. Zheng Yuchun (the “2010 Share Options”), a director of the Company, under the Scheme to subscribe for up to 35,000,000 ordinary shares of the Company. The estimated fair value of the options granted on that date is approximately HK\$5,698,000.

The 2010 Share Options will continue to be valid and exercisable upon the expiry of the Old Share Option Scheme until 28 July 2020.

The fair value was calculated using Binominal Option Pricing Model. The inputs into the model are as follows:

	2010
	Share Options
Grant date	29 July 2010
Grant date share price	HK\$0.2490
Exercise price	HK\$0.2620
Expected life	10 years
Expected volatility	83%
Expected dividend yield	Nil
Risk-free interest rate	2.320%

Expected volatility is determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised an expense of HK\$244,722 (2011: HK\$1,014,215) in respect of the options granted which was included in staff costs for the period.

No option (2011: Nil) was exercised, granted or lapsed during the six months ended 30 September 2012.

20. DISPOSAL OF SUBSIDIARIES

- (a) On 28 May 2012, the Group entered into an agreement to dispose of its 29% equity interests in CMF to Eternity. The transaction led to the reduction of the Group's equity interests in CMF from 74.95% to 45.95% and CMF and its subsidiaries became associates of the Group. The completion of disposal took place on 3 August 2012.

	<i>HK\$</i>
Net assets disposed of	111,311,457
Gain on disposal of 29% equity interests in CMF	7,398,688
	<u>118,710,145</u>
Total consideration satisfied by:	
Cash received	51,324,000
Fair value of 45.95% retained equity interests in CMF	67,386,145
	<u>118,710,145</u>
Net cash outflow arising from the disposal	37,427,954

- (b) On 29 June 2012, the Group disposed of its indirectly owned subsidiary of Infrared Engineering and Consultants Limited ("Infrared") through CMF. Upon completion of the disposal, Infrared ceased to be a subsidiary of the Company. The loss on disposal of HK\$2,960,231 was recognised in profit or loss during the six months ended 30 September 2012.

21. LEASE COMMITMENTS

Operating leases – lessee

The Group has leased certain properties under operating leases. The leases for properties usually run for an initial period of one to five years. Lease payments are usually negotiated to reflect market rentals. None of the leases includes contingent rentals.

The total future minimum lease payments are due as follows:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Not later than one year	47,781,385	46,995,473
Later than one year and not later than five years	137,735,369	144,710,780
More than five years	197,206,564	210,410,986
	382,723,318	402,117,239

Operating leases – lessor

The Group has leased out its investment properties under operating leases. The leases for investment properties usually run for one to five years. Lease payments are usually negotiated to reflect market rentals. None of the lease includes contingent rentals.

The minimum lease receivables under non-cancellable operating leases are as follows:

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Not later than one year	86,349,925	75,015,216
Later than one year and not later than five years	166,521,846	187,616,644
More than five years	48,691,371	81,185,195
	301,563,142	343,817,055

22. CAPITAL COMMITMENTS

	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
Commitment for construction contracts and acquisition of plant and equipment:		
Contracted for but not provided	10,762,267	14,729,063
Commitment for acquisition of additional interests in a subsidiary:		
Contracted for but not provided	5,000,000	–

Note: The amount represented the acquisition of 5.55 shares of US\$1 each of Welly Champ and the balance of the Sale Loan from Rise Jumbo Limited and Li Bin. The transaction will be completed on or before 30 April 2013.

23. RELATED PARTY TRANSACTIONS

Save as those disclosed elsewhere in the unaudited condensed consolidation financial statements, significant related party transactions during the period are as follows:

		Six months ended 30 September 2012 (Unaudited) HK\$	2011 (Unaudited) HK\$
	<i>Notes</i>		
Rental incomes from related companies	<i>(a)</i>	522,093	209,781
Rental income receivable from associates	<i>(b)</i>	754,034	–
Rental expenses paid to subsidiaries of a substantial shareholder	<i>(c)</i>	4,869,052	3,347,335
Rental expenses to related companies	<i>(d)</i>	–	127,800
Interest expenses to non-controlling shareholders	<i>(e)</i>	400,100	33,250
Acquisition of associate	<i>(f)</i>	–	7,769,000
Compensation of key management personnel	<i>(g)</i>	5,499,900	4,959,017
		<u>5,499,900</u>	<u>4,959,017</u>

- (a) Rental income was received from related companies which have a common director or controlled by a common director, with the Group's subsidiary.
- (b) Rental income was received from associates based on the facility sharing agreement signed between the parties.
- (c) Rental expenses were charged by two subsidiaries of a substantial shareholder of the Company, China Resources (Holdings) Company Limited, based on the tenancy agreements signed between the parties.
- (d) Rental expenses were charged by related companies which were associates of two then directors of the Company, Madam Ma Shuk Kam and Mr. Yeung Chi Hang, based on the tenancy agreements signed between the parties.
- (e) Interest expenses was charged by non-controlling shareholder based on loans to subsidiaries amounted to HK\$10,317,308 (2011: HK\$1,330,000) which borne interest at 5% to 8% per annum (2011: 5%).
- (f) On 11 April 2011, the Group entered into a subscription agreement to subscribe for 351,062 preference shares of Xinya Media Private Limited at a consideration of about US\$1,000,000 (equivalent to approximately HK\$7,769,000).
- (g) Compensation of key management personnel

The remunerations of directors and other members of key management personnel during the period were as follows:

	Six months ended 30 September 2012 (Unaudited) HK\$	2011 (Unaudited) HK\$
Short-term benefits	5,478,900	4,941,017
Post-employment benefits	21,000	18,000
	<u>5,499,900</u>	<u>4,959,017</u>

- (h) On 30 April 2012, the Company entered into an agreement with Long Sincere and Wang Wei for the acquisition of 10 shares of US\$1 each representing 4.235% of the issued share capital of, and the benefit of 50% of all amounts as at the completion date due from, Welly Champ for an aggregate consideration of HK\$9 million in cash and the total principal amount by the loans of HK\$8,500,000 (as mentioned in note 13(c)(iii)) was set off as part of the consideration on 30 April 2012. Long Sincere is a company wholly owned by Wang Wei, a director of Welly Champ and Well Allied, another subsidiary of the Company. This transaction was completed on 30 April 2012.
- (i) On 30 April 2012, the Company entered into an agreement with Rise Jumbo Limited (“Rise Jumbo”) and Li Bin for the acquisition of 10 shares of US\$1 each representing 4.235% of the issued share capital of, and the benefit of 50% of all amounts as at the completion date (the “Sale Loan”) due from, Welly Champ for an aggregate consideration of HK\$9 million in cash. Li Bin, a director of Welly Champ and Golden Island Catering Group Company Limited, a wholly-owned subsidiary of the Company, has 50% equity interests in Rise Jumbo. The Company entered into a supplement agreement with Rise Jumbo and Li Bin on 9 May 2012 to the effect that completion of the acquisition should take place in two phases: (i) the first of which took place on 10 May 2012 in respect of 4.45 shares of US\$1 each of Welly Champ and HK\$2,633,867 of the Sale Loan for HK\$4 million, which has been completed as at the date of this report; and (ii) the second on or before 30 April 2013 in respect of 5.55 shares of US\$1 each of Welly Champ and the balance of the Sale Loan for HK\$5 million.
- (j) On 11 May 2012, HaoRen Cultural Development Limited (a vendor of the Group’s subsidiary, BoRen Cultural Development Limited which is also a 40% shareholder of Elite-China) executed a deed of indemnity in favour of Elite-China, a 60% owned subsidiary of the Company, and its three PRC subsidiaries (together the “Indemnified Parties”) against:
 - (a) all liabilities in connection with any guarantee given by the holding company of any PRC subsidiaries of Elite-China (“PRC Cos”) in respect of loans (the “Loans”) to any of PRC Cos existing at the date of such deed and thereafter granted with securities provided by the shareholders, former shareholders, directors or former directors of PRC Cos or their related parties (together the “Indemnifier Parties”) (including without limitation all costs, charges and expenses which the Indemnified Parties may pay or incur in connection with the Loans); and
 - (b) all losses, damages and liabilities in connection with any failure or insufficiency of any security provided by any of the Indemnifier Parties in respect of the Loans (including without limitation all costs, charges and expenses which any of the Indemnified Parties may pay or incur in connection therewith).

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The jointly controlled entities, which are principally engaged in the provision of copyright licence fees settlement and collection services, are accounted for using proportionate consolidation.

During the six months ended 30 September 2012, the results of provision of copyright licence fees settlement and collection services has not improved and the Group had disputes with the other venturer in respect of the operations and future development of the business, which the joint ventures operate. Following the unsuccessful discussions with the other venturer, the Group commenced arbitration proceedings in financial year 2012 against the other venturer to claim for return of 20% equity interests in the joint ventures and damages of RMB10 million.

The final decision of the arbitration was made on 30 July 2012. The other venturer shall return the 20% equity interests in the joint ventures within 20 days from the date of delivery of the arbitration decision.

However, the other venturer did not return the 20% equity interests in the joint ventures up to 30 September 2012. As a result, the joint ventures were continued to be classified as 50% owned jointly controlled entities at the end of the reporting period.

Subsequently, in October 2012, the transfer of 20% equity interests in the joint ventures from the other venturer to the Group was successfully registered in Beijing Administration for Industry and Commerce (北京市工商行政管理局).

25. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 September 2012, the Company proposed to implement the share consolidation of every twenty issued and unissued shares of HK\$0.05 each in the share capital of the Company into one consolidated share of HK\$1.00.

At the same time, the Company proposed to implement the capital reduction involving the reduction of the existing share capital of the Company through a cancellation of (a) any fractional consolidated shares in the issued share capital of the Company arising from the share consolidation and (b) paid-up capital of the Company to the extent of HK\$0.95 on each of the issued consolidated shares so that the nominal value of each issued consolidated share will be reduced from HK\$1.00 to HK\$0.05. All amounts of cancelled issued capital shall remain part of the authorised share capital and be available for the issue of new shares by the Company. Immediately following the capital reduction, the Company sub-divided each of the unissued consolidated shares of par value HK\$1.00 each into twenty new shares of HK\$0.05 each.

After capital reduction and the sub-division, the authorised share capital of the Company shall be HK\$1,000,000,000 divided into 20,000,000,000 new shares of HK\$0.05 each.

On 16 October 2012, an ordinary resolution was approved for the capital reorganisation comprising of the share consolidation, capital reduction and sub-division.

Details of the aforesaid capital reorganisation were disclosed in the Company's announcements or circular dated 15 September 2012, 25 September 2012 and 16 October 2012.

- (b) On 21 September 2012, the Group entered into an acquisition agreement to purchase, subject to the fulfillment of certain conditions, the entire issued share capital of Media Sound and its subsidiary at a consideration of HK\$55,896,400.

The consideration of HK\$55,896,400 shall be settled by a deposit in the sum of HK\$15,000,000 payable in cash by the Company to the vendors upon signing of the acquisition agreement and the remaining HK\$40,896,400 shall be settled by issue of the promissory notes to the vendors on completion of the acquisition.

Details of the transaction were disclosed in the Company's announcement dated 21 September 2012. Management of the Group expects the transaction will be completed by January 2013.

Subsequently, on 21 November 2012, the Group and one of the vendors entered into a deed of undertaking, pursuant to which the vendor undertakes to indemnify the Company and/or the wholly-owned subsidiary of Media Sound for debt in the amount of RMB3 million owed by the wholly-owned subsidiary of Media Sound to the creditors.

Details of the transaction were disclosed in the Company's announcement dated 21 November 2012.

BUSINESS REVIEW AND PROSPECTS

Consolidated results

The turnover of the Group for the six months ended 30 September 2012 was about HK\$126.4 million. Loss of HK\$84.4 million for the period was recorded as compared to profit of HK\$44.7 million in the previous period. The loss was due to the drop in rental income after the disposal of properties during the period while gain on disposal of an investment property of about HK\$96.6 million was recorded in the period ended 30 September 2011. The Group's hotel operation recorded a loss of HK\$34.6 million including an impairment loss on hotel assets of about HK\$15 million due to keen competition. The Group recognised an impairment loss on fair value of available-for-sale investments amounting to about HK\$9 million.

Property investment

The investment property of the Group contributed rental income to the Group during the period. The investment property which is located at the commercial district of Guangzhou, the PRC has been leased for ten years from 9 October 2008.

During the period, the Group disposed of its properties at Tsim Sha Tsui and Sheng Wan with a gain of about HK\$5.8 million in total.

Property sub-leasing business

BoRen Culture Development Limited (博仁文化發展有限公司) ("BoRen"), a 60% owned subsidiary engaged in sub-leasing of properties and facilities in Nanjing, the PRC. The business contributed income of HK\$39.3 million and profit of HK\$7.8 million to the Group during the six months ended 30 September 2012.

The business is expected to continue to contribute stable income to the Group in the future.

Licence fee collection business

The Group is also engaged in the provision of copyright licence fees settlement and collection services in respect of karaoke music products and videos in the PRC.

The Group is entitled to collect fees for licensing of copyright to karaoke music products to karaoke operators and to receive portion of fee payment from karaoke operators in the PRC.

In order to strengthen the controlling interest in the karaoke license fee collection business in the PRC, the Group entered into 2 agreements on 30 April 2012, for the acquisition from Long Sincere International Limited ("Long Sincere") and Rise Jumbo Limited ("Rise Jumbo") of a total of 8.47% of the issued share capital of, and the benefit of 50% all amounts due to them from Welly Champ International Limited ("Welly Champ") for an aggregate consideration of HK\$18 million in cash. Long Sincere is a company wholly owned by Wang Wei, a director of Welly Champ and Well Allied Investments Limited ("Well Allied"). Li Bin, a director of Welly Champ and Golden Island Catering Group Company Limited, a wholly-owned subsidiary of the Company, has 50% interest in Rise Jumbo. The acquisition agreement with Long Sincere was completed on 30 April 2012. The Company entered into a supplement agreement with Rise Jumbo and Li Bin on 9 May 2012 to the effect that completion of the acquisition should take place in two phases: (i) the first of which took place on 10 May 2012 in respect of 4.45 shares of US\$1 each of Welly Champ and HK\$2,633,867 of the Sale Loan for HK\$4 million; and (ii) the second on or before 30 April 2013 in respect of 5.55 shares of US\$1 each of Welly Champ and the balance of the Sale Loan for HK\$5 million.

Song Labs Co., Limited, a 60.8% owned subsidiary engaged in the provision of intellectual property enforcement services in return of certain percentage of the licence fee collected from karaoke venues in the PRC, incurred a loss of about HK\$4.6 million. On 21 September 2012, the Group entered into a conditional acquisition agreement with Ms. Lau Wang Tai, Wendy and Mr. Tsang Yat Loi to acquire the entire issued share capital of Media Sound Technology Limited (“Media Sound”) for the consideration of HK\$55,896,400. As Media Sound is a substantial shareholder of Song Labs, the acquisition is subject to the approval of the Company’s shareholders. Upon Completion, Media Sound will become a wholly-owned subsidiary of the Group.

Pursuant to the Company’s annual report for the year ended 31 March 2012, it was mentioned that 天合文化集團有限公司(“Tian He”) was owned equally by 深圳市華融盛世投資管理有限公司(Shenzhen Hua Rong Sheng Shi Investment Management Company Limited) (“Shenzhen Hua Rong”), a wholly owned subsidiary of the Company, and 北京中文發數字科技有限公司(China Culture Development Digital Technology Co., Ltd.) (“CCDDT”). It has entered into a licensing agreement with CCDDT pursuant to which Tian He was granted an exclusive right to use CCDDT’s karaoke content management service system (the “Karaoke CMS”) to provide copyright transaction settlement services and the right to develop related value-added services in the PRC for a term of 10 years from 15 July 2007. The system connects its data centre to karaoke venues to supervise and keep track of karaoke music videos played in these venues.

There were delays in rollout of copyright licence fees settlement and collection services in respect of karaoke music products and videos in various provinces in the PRC as a result of disagreement with CCDDT in respect of the operation and future development of the business. On 22 June 2011, Shenzhen Hua Rong started arbitration proceedings in Beijing, the PRC against CCDDT for its breach of the terms of a shareholders’ agreement (the “Shareholder’s Agreement”) dated 15 July 2007 and an agreement signed in 2007 (the “Share Transfer Agreement”) for the transfer of 20% of the registered capital of Tian He by Shenzhen Hua Rong to CCDDT to claim for termination of the Shareholders’ Agreement, return of the 20% interest in Tian He and damages of RMB10 million.

According to the arbitration decision dated 30 July 2012, it was ruled that the Shareholder’s Agreement and the Share Transfer Agreement shall be terminated and CCDDT shall return the 20% interest in Tian He to Shenzhen Hua Rong within 20 days from the delivery of the arbitration decision. The share transfer procedures were completed in October 2012.

During the period, the business recorded a turnover of HK\$15.3 million and a loss of HK\$18.7 million. The loss was mainly due to an amortisation of deferred expenditure of about HK\$9.1 million and an amortisation of intangible assets of HK\$5.8 million.

After the end of Tian He arbitration proceedings, the directors will be committed to improve the operation of copyright licence fee settlement and collection. The directors are confident of the potential of the business of provision of intellectual property enforcement services and collection of copyright fees for content distribution in respect of karaoke music products in the PRC.

Entertainment operations

Baron Production and Artiste Management Company Limited, a 51% owned subsidiary engaged in providing services relating to production and artist management in the entertainment industry, incurred a loss of about HK\$0.2 million.

Chance Music Limited (“CML”), a 60% owned subsidiary engaged in entertainment and related business and owns intellectual property rights to lyrics of various songs, recorded a loss of about HK\$0.1 million. The Group has terminated its obligations to make further payment to the minority shareholder of CML under an agreement dated 24 October 2007 and has exercised its right to require such minority shareholder to buy back its 60% interest in CML at HK\$15,000,000 pursuant to such agreement. The Group received deposit of HK\$1 million from CML’s non-controlling shareholder as part of the share buy back payment on 8 May 2012.

In December 2011, the Group acquired up to 74.95% interests in China Media and Films Holdings Limited (“CMF”), a company listed on the Growth Enterprise Market of the Stock Exchange. CMF and its subsidiaries (the “CMF Group”) are principally engaged in artist management, film distribution and production. On 28 May 2012, the Group entered into a conditional agreement with Eternity Investment Limited (“Eternity”) for the disposal of approximately 29% interest in CMF for a consideration of about HK\$51 million. The disposal was approved by the Company’s shareholders during a special general meeting held on 10 July 2012. As at 30 September 2012, the Group’s share of net assets and losses of the CMF Group were about HK\$41 million and HK\$1 million respectively.

Exhibition-related business

China Resources Advertising & Exhibition Company Limited and its subsidiaries (the “CRA Group”) are principally engaged in exhibition-related business and act as organizer and contractor for all kinds of exhibition events and meeting events mainly in Hong Kong. The CRA Group opened an art gallery in Hong Kong which incurred expenses of about HK\$0.7 million during the period. The business contributed turnover of HK\$26.5 million and operating profit of about HK\$0.3 million for the six months period ended 30 September 2012.

The business is expected to continue to contribute stable income to the Group in the future.

Hotel operation

The business of Dynasty Hotel in Zhaoqing, the PRC recorded a turnover of HK\$29.9 million and a loss of HK\$34.6 million. This business had been affected by the keen competition from other hotels in Zhaoqing, the PRC, the turnover was dropped from HK\$38.6 in 2011 to HK\$29.9 in 2012. The loss was also due to the depreciation of its assets of HK\$10.6 million and impairment loss on hotel assets of about HK\$15 million.

Restaurant operation

In July 2012, the Group’s closed its hot pot restaurant and opened a Golden Island Bird’s Nest (Chiu Chau) Restaurant at Jaffe Road, Hong Kong. During the period, the restaurant operation contributed turnover of about HK\$1.4 million and a loss of about HK\$0.2 million to the Group.

PROSPECTS

The Group will continue its current activities of property investment, property sub-leasing, licence fee collection business in the PRC, entertainment business, exhibition-related business, hotel operations and restaurant operations.

The Group's property leasing, sub-leasing activities in the PRC and the exhibition-related business will continue to contribute profit to the Group. For the licence fee collection business and entertainment business, we are optimistic that these businesses will gradually yielding income to the Group.

As at 30 September 2012, the Group has net asset value of HK\$808 million, the management will look for suitable investment opportunities to expand our core businesses in the future.

FINANCIAL REVIEW

Capital structure

A capital reorganisation ("Capital Reorganisation") was completed on 16 October 2012 on the basis that (i) every twenty (20) existing shares of HK\$0.05 each in both the issued and unissued share capital of the Company were consolidated into one (1) consolidated share of HK\$1.00 ("Consolidated Share") ("Share Consolidation"); (ii) immediately following the Share Consolidation, the issued share capital of the Company was reduced through a cancellation of (a) any fractional Consolidated Share in the share capital of the Company resulted from the Share Consolidation; and (b) the paid-up capital of the Company to the extent of HK\$0.95 on each of the Consolidated Share so that the nominal value of each issued Consolidated Share was reduced from HK\$1.00 to HK\$0.05 so as to form a new share with a nominal value of HK\$0.05 each ("New Share") (the aforesaid capital reduction to be referred to as the "Capital Reduction"); (c) immediately following the Share Consolidation, each unissued Consolidated Share in the authorised but unissued share capital of the Company were sub-divided into 20 shares so that the nominal value of each unissued Consolidated Share was reduced from HK\$1.00 to HK\$0.05 each.

Liquidity and financial resources

As at 30 September 2012, the Group had borrowings of about HK\$133.6 million (31 March 2012: HK\$205.2 million). The gearing ratio of the Group, based on total borrowings to shareholders' equity, was 16.3% (31 March 2012: 22.5%) as at 30 September 2012.

The Directors will continue to implement prudent financial management policy and adapt necessary measures to maintain its liquidity and lower gearing ratio. The Group was able to generate sufficient cash flow to fulfill its repayment obligations and meet the cash requirements for its day-to-day operations for the period. Currently, no financial instrument was used for hedging and the Group was not exposed to any exchange rate risk or any related hedges.

Charges

At 30 September 2012, there was no property as security for the Group's bank facilities while the carrying amount of a property of HK\$90 million was pledged as security for the Group's bank facilities of HK\$40 million at 30 September 2011.

At 30 September 2012, 1,446,064,745 ordinary shares of Cosmopolitan International Holding Limited (stock code: 120) with carrying amount of about HK\$73.7 million (2011: Nil) which are classified as available-for-sale investments and a personal guarantee given by Cheng Yang, a director of the Company, were used as security for a loan of HK\$30,000,000 (2011: Nil).

EMOLUMENT POLICY

As at 30 September 2012, the Group had a total of 857 employees. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses are rewarded to staffs and directors based on the Group's results and their performance.

The Company has a share option scheme for the employees and directors of the Group as incentive for them to contribute to the business and operation of the Group. The Group also provides external training courses for its staff to improve their skill and services.

DISCLOSURE OF INTERESTS

As at 30 September 2012, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name	Nature of interest	Number of shares as at 30 September 2012	Percentage of shareholding
Cheng Yang	(Note 1)	1,786,980,000	14.92
Zheng Yuchun	Personal (Note 2)	35,000,000	0.29

Notes:

- 1,786,000,000 shares are owned by Mr. Cheng Yang personally and 980,000 shares are owned by his wife.
- This relates to the options granted under the share option scheme of the Company to Mr. Zheng Yuchun to subscribe for (i) 12,000,000 shares from 1 October 2010 to 28 July 2020; (ii) 12,000,000 shares from 1 July 2011 to 28 July 2020; and (iii) 11,000,000 shares from 1 July 2012 to 28 July 2020, all at the exercise price of HK\$0.262 per share.

Save as disclosed herein, as at 30 September 2012, none of the directors or chief executive of the Company had any interest or short position in the 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 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.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2012, other than the interests of a director and chief executive of the Company disclosed in the paragraph headed “Disclosure of interests” above, according to the register of interests required to be kept by the Company under section 336 of the SFO, the following persons had interests in the shares or underlying shares of the Company:

Name	Nature of interest	Number of shares as at 30 September 2012	Percentage of shareholding
China Resources (Holdings) Company Limited	Interest of controlled corporation	1,333,333,333	11.13
China Resources Co., Limited	Interest of controlled corporation	1,333,333,333	11.13
China Resources National Corporation	Interest of controlled corporation	1,333,333,333	11.13
Commotra Company Limited	Beneficial interest	1,333,333,333	11.13
CRC Bluesky Limited	Interest of controlled corporation	1,333,333,333	11.13

Save as disclosed above, as at 30 September 2012, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Under the share option scheme of the Company (the “Scheme”), the directors may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

As at 30 September 2012, the Company had outstanding options granted under the Scheme to subscribe for 35,000,000 shares. During the six months ended 30 September 2012, no share option had been granted/lapsed or cancelled (2011: nil shares).

MODEL CODE

In respect of the Model Code, the Company states that during the six months ended 30 September 2012:

- (a) the Company had a code of conduct regarding directors’ securities transactions on the terms of the Model Code; and
- (b) it has made specific enquiry of all directors, results of which indicate that the directors had complied with the required standard set out in the Model Code during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries during the six months ended 30 September 2012.

CODE OF CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2012 except the following:

- (a) the non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company at least once every three years in accordance with the Bye-laws of the Company; and
- (b) the roles of the chairman and chief executive officer of the Company are taken up by Mr. Cheng Yang ("Mr. Cheng") and not segregated. On 1 July 2010, the Company appointed Mr. Zheng Yuchun as its Deputy Chief Executive Officer to share the responsibility of Mr. Cheng.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30 September 2012.

By order of the Board
Cheng Yang
Chairman

Hong Kong, 28 November 2012

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Yang (the Chairman), Mr. Zheng Yuchun, Mr. Li Weipeng and Ms. Lei Lei; and the independent non-executive directors are Mr. Tong Jingguo, Mr. Yang Rusheng and Mr. So Tat Keung.