亞洲資產（控股）有限公司
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8025)

Interim Report 2010

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This report, for which the directors of Asian Capital Resources (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Asian Capital Resources (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this report, the executive directors of the Company are Mr. Xie Xuan (Chairman), Mr. Yang Qiulin and Mr. Qiu Yue; the non-executive directors are Mr. Lo Mun Lam Raymond (Vice Chairman), and Mr. Andrew James Chandler; and the independent non-executive directors are Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of directors (the "Board") of Asian Capital Resources (Holdings) Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 June 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

		For the three months ended 30 June		For the six months ended 30 June	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**1,479**	11,076	**3,141**	24,395
Cost of services		**(322)**	(8,785)	**(966)**	(19,713)
Gross profit		**1,157**	2,291	**2,175**	4,682
Other revenue		**2**	121	**2**	202
Interest income		**1**	1	**1**	2
Staff costs		**(776)**	(2,252)	**(1,520)**	(4,628)
Operating lease rentals		**(69)**	(532)	**(201)**	(1,095)
Other operating expenses		**(1,194)**	(1,583)	**(1,640)**	(2,777)
Depreciation and amortization		**(7,837)**	(7,247)	**(15,666)**	(14,394)
Loss from operating activities		**(8,716)**	(9,201)	**(16,849)**	(18,008)
Finance costs		**(236)**	(165)	**(447)**	(312)
Loss before taxation		**(8,952)**	(9,366)	**(17,296)**	(18,320)
Taxation	*3*	**(2)**	(215)	**(2)**	(215)
Loss for the period		**(8,954)**	(9,581)	**(17,298)**	(18,535)
Attributable to:					
Equity holders of the Company		**(9,341)**	(9,012)	**(18,126)**	(17,966)
Minority interests		**387**	(569)	**828**	(569)
		(8,954)	(9,581)	**(17,298)**	(18,535)
Loss per share					
– Basic	*4*	**(0.97 cents)**	(0.94 cents)	**(1.88 cents)**	(1.86 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited As at 30 June 2010** *HK$'000*	Audited As at 31 December 2009 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,751**	1,518
Intangible Assets		**159,247**	174,913
		160,998	176,431
Current assets			
Trade and other receivables	*5*	**6,053**	9,805
Cash and bank balances		**4,009**	1,863
		10,062	11,668
Current liabilities			
Trade and other payables	*6*	**(150,586)**	(156,929)
Amount due to a director		**(6,428)**	–
Tax payable		**(2)**	(226)
		(157,016)	(157,155)
Net current assets/(liabilities)		**(146,954)**	(145,487)
Total assets less current liabilities		**14,044**	30,944

	Notes	Unaudited As at 30 June 2010 *HK$'000*	Audited As at 31 December 2009 *HK$'000*
Non-current liabilities			
Amount due to a director		**–**	(6,602)
Amount due to immediate holding company	*7*	**(19,349)**	(15,919)
		(19,349)	(22,521)
Net (liabilities)/assets		**(5,305)**	8,423
Capital and reserves			
Share capital		**97,642**	96,342
Reserves		**(181,615)**	(165,759)
(Deficit)/Equity attributable to shareholders of the Company		**(83,973)**	(69,417)
Minority interests		**78,668**	77,840
Total (deficit)/equity		**(5,305)**	8,423

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Capital reserves**	**Translation reserve**	**Accumulated losses**	**Sub-total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2009	96,342	119,693	26,020	(1,832)	(261,417)	(21,194)	100,083	78,889
Movement for the period	–	–	–	389	(17,966)	(17,577)	(569)	(18,146)
As at 30 June 2009	96,342	119,693	26,020	(1,443)	(279,383)	(38,771)	99,514	60,743
As at 1 January 2010	96,342	119,693	26,020	(1,113)	(310,359)	(69,417)	77,840	8,423
Movement for the period	1,300	2,275	–	(5)	(18,126)	(14,556)	828	(13,728)
As at 30 June 2010	**97,642**	**121,968**	**26,020**	**(1,118)**	**(328,485)**	**(83,973)**	**78,668**	**(5,305)**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Net cash (outflow) from operating activities	**(4,448)**	(4,143)
Net cash inflow/(outflow) from investing activities	**(232)**	2,921
Net cash (outflow) before financing activities	**(4,680)**	(1,222)
Net cash inflow from financing activities	**6,831**	(1,252)
Increase/(Decrease) in cash and cash equivalents	**2,151**	(2,474)
Cash and cash equivalents at 1 January	**1,863**	6,543
Effect of foreign exchange rate changes	**(5)**	389
Cash and cash equivalents at 30 June	**4,009**	4,458
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**4,009**	4,458

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), and accounting principles general accepted in Hong Kong and the GEM Listing Rules. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31 December 2009.

2. TURNOVER

The Group's turnover represents the invoiced value of (1) service fees from the provision of internet protocol value added services; and (2) service fees from the provision of logistics services, and excludes intra-Group transactions as follows:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Internet protocol value added services fees	**1,479**	–	**3,141**	–
Logistics services fees	**–**	11,076	**–**	24,395
Total turnover	**1,479**	11,076	**3,141**	24,395

(a) Business segments

	Internet Protocol Value Added Services		Logistics Services		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**3,141**	–	**–**	24,395	**–**	–	**3,141**	24,395
RESULT								
Segment results	**1,825**	–	**–**	(65)	**–**	–	**1,825**	(65)
Interest income							**1**	2
Unallocated expenses							**(18,675)**	(17,945)
Loss from operating activities							**(16,849)**	(18,008)
Finance costs							**(447)**	(312)
Loss before taxation							**(17,296)**	(18,320)
Taxation							**(2)**	(215)
Loss for the period							**(17,298)**	(18,535)
Depreciation and amortization	**456**	–	**–**	34	**15,210**	14,360	**15,666**	14,394

(b) Geographical segments

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Turnover		
Hong Kong	**–**	–
The PRC	**3,141**	24,395
	3,141	24,395

3. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**–**	–	**–**	–
PRC income tax	**2**	215	**2**	215
	2	215	**2**	215

No Hong Kong profits tax has been provided for the six months ended 30 June 2010 as the Group has no assessable profit in Hong Kong for the period.

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2010 is based on the net loss from ordinary activities attributable to equity holders of the Company of approximately HK$9,341,000 (2009: HK$9,012,000) and HK$18,126,000 (2009: HK$17,966,000) and the weighted average number of ordinary shares of approximately 963,489,809 (2009: 963,417,986) during the periods.

5. TRADE RECEIVABLES

	As at 30 June 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Ageing analysis of the Group's receivables as at 30 June 2010 is as follows:		
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 150 days	**–**	–
Over 150 days	**9,009**	9,226
	9,009	9,226
Less: Impairment losses	**(8,989)**	(8,989)
	20	237

6. TRADE PAYABLES

	As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*
Ageing analysis of the Group's payables as at 30 June 2010 is as follows:		
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 150 days	**–**	–
Over 150 days	**21,052**	21,241
	21,052	21,241

7. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

In the second half of 2010, the Board may consider and propose the capitalization of the loan from the immediate holding company, which currently amounts to approximately HK$19,349,000, by way of the issue of new ordinary shares to the Company's immediate holding company pursuant to a specific mandate to be approved by the Company's independent shareholders at an extraordinary general meeting, which would be subject to the approval of the Stock Exchange for the listing of and permission to deal in the new ordinary shares, if issued. Such a capitalization exercise, if proposed by the Board and approved by the Company's independent shareholders, will benefit the Company in that the Company would be able to repay the outstanding loan from the immediate holding company without drawing on the working capital of the Company.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the six months ended 30 June 2010 was approximately HK$3,141,000 (2009: HK$24,395,000) which was decreased by approximately 87.12% as compared to that of the previous financial year. The main reason for the significant decrease in the total turnover of the Group is the impact of the initiation of the closure of Ever-OK International Forwarding Co., Limited (PRC) ("Ever-OK") in November 2009.

The unaudited condensed consolidated loss from operations for the six months ended 30 June 2010 was approximately HK$17,298,000, which was decreased as compared with the corresponding period last year, HK$18,535,000. The decrease in loss for the period is mainly attributable to the substantial reduction in the administration expenses of the Group. Provision has been made for asset impairment loss on the intangible assets of the Group for the six months ended 30 June 2010 in the amount of HK$15,210,000 as the Board on the recommendation of the Company's auditors has adopted a prudent approach and determined that based on HKAS 36 an impairment on assets provision should be made on the intangible assets of the Group. The intangible assets of the Group represent an exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) (the "Permit") granted by the holder of the Permit (the "Holder") to a subsidiary of the Company under an exclusive agreement entered into between that subsidiary of the Company and the Holder. The Permit commenced on 1 October 2007 and will expire on 30 September 2015.

The Group's gross profit margin is increased from 19.19% for the six months ended 30 June 2009 to 69.24 % for the current period. The main reason for the increase in gross profit margin is the relative reduction in the Group's cost of services.

Financial cost

The financial cost of the Group for the six months ended 30 June 2010 was approximately HK$447,000 (2009: HK$312,000) which was increased by approximately 43.26% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2010, the Group's borrowing consists of a loan from the immediate holding company of HK$19,349,000. The Group had a cash balance of approximately HK$4,009,000. In the second half of 2010, the Board may consider and propose the capitalization of the loan from the immediate holding company, which currently amounts to approximately HK$19,349,000, by way of the issue of new ordinary shares to the Company's immediate holding company pursuant to a specific mandate to be approved by the Company's independent shareholders at an extraordinary general meeting, which would be subject to the approval of the Stock Exchange for the listing of and permission to deal in the new ordinary shares, if issued. Such a capitalization exercise, if proposed by the Board and approved by the Company's independent shareholders, will benefit the Company in that the Company would be able to repay the outstanding loan from the immediate holding company without drawing on the working capital of the Company.

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

The issued share capital of the Group for the six months ended 30 June 2010 increased from HK$96,341,799 to HK$97,641,799 during the period.

Gearing Ratio

For the six months ended 30 June 2010, the gearing ratio of the Group, expressed as a percentage of total borrowings over total assets, was 11.32% (2009: 5.34%).

Employee and remuneration policies

As at 30 June 2010, the Group employed a total of 21 employees (as at 30 June 2009: 117), of which 4 were located in Hong Kong and the remaining 17 were located in the PRC. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

Material acquisitions and disposals of subsidiaries and affiliated companies

Deregistration and Winding-Up of various Subsidiaries in the Group

The Board has resolved that, in order to reduce the operating costs of the Group, those subsidiaries within the Group which no longer add value to, nor generate any income attributable to the Group, should be deregistered, or voluntarily wound up.

Those subsidiaries which are currently in the deregistration process are: AIR Logistics International Holdings Limited, AIR SQW Limited, Asian Information Resources Consultants Limited, Explore International Limited, Explore Limited, Sinobase Asia Limited, Sino Resource Investments Limited, Asian Information Resources Techlogic Limited (which is the direct holding Company of Ever-OK), and Guangzhou Shilian Software Technological Co. Limited.

Those subsidiaries which have been deregistered during the period are: AIR Logistics International Limited (BVI), and Chinareference.com Limited.

Those subsidiaries which are currently being voluntarily wound up are: Asian Information Investment Consulting Limited, BuyCollection.com Limited, and Myhome Network Limited.

Material Litigation and Contingent Liabilities

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited, as the second plaintiff, initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants.

The Board, after a preliminary assessment of the relevant writ of summons, is of the view that in the event that the proposed mediation referred to in the Company's announcement dated 28 April 2010 is unsuccessful in resolving the relevant claims, and that in the event that UREDY is successful in proving the relevant claims against the Company, and that if the possible specific damages of RMB9,744,000 and a possible claim for UREDY's legal costs are awarded against the Company, that such an award will not have a material adverse impact on the Group's financial position, in the long term. The Board considers that the Group is exposed to contingent liabilities in this connection.

Save as disclosed above, as at 30 June 2010 neither the Company nor any of its subsidiaries is involved in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Board to be pending or threatened against the Company or any of its subsidiaries.

Exercise of Share Options

On 29 June 2010 three holders of the 97,840,073 share options granted by the Company's shareholders at the extraordinary general meeting held on 4 October 2007 (the "Share Options") exercised their entire respective holdings in 13,000,000 Share Options in aggregate, at the exercise price of HK$0.275 per share. The Board, after receipt of the valid exercise notices and the respective payments to the Company from the three holders in respect of the 13,000,000 Share Options, resolved on 29 June 2010 to issue and allot 13,000,000 new ordinary shares to the three holders at the issue price of HK$0.275 per ordinary share. After the issue of the 13,000,000 new ordinary shares, the issued share capital of the Company increased to 976,417,986 ordinary shares and there are currently outstanding 84,840,073 Share Options that fall to be exercised at the exercise price of HK$0.275 per ordinary share.

Subsequent Events

Completion of Mandatory Unconditional Cash Offers

Pursuant to an agreement dated 5 April 2010 entered into between Glamour House Limited (the "Offeror"), and Mr. Chan Chi Ming and Denwell Enterprises Limited ("the Vendors"), the Offeror agreed to acquire and the Vendors agreed to sell 13,750 shares in the capital of Asian Dynamics International Limited ("Asian Dynamics") in aggregate, representing 37.59% of the issued share capital of Asian Dynamics, such that upon completion of the agreement, which took place on 17 May 2010, the Offeror and parties acting in concert with it became interested in a total of 24,571 shares in the capital of Asian Dynamics, representing 67.18% of the current total issued share capital of Asian Dynamics. As Asian Dynamics was the controlling shareholder of the Company, holding 546,846,132 shares, representing 56.76% of the issued share capital of the Company as at 17 May 2010, pursuant to Note 8 to Rule 26.1 of the Hong Kong Code of Takeovers and Mergers and Share Repurchases (the "Takeovers Code"), the Offeror was required to make a mandatory unconditional general offer for all the issued shares (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the offer was made). In addition, under Rule 13.1 of the Takeovers Code, the Offeror was also required to make a mandatory unconditional general offer for all the outstanding share options (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the offer was made) (the "Offers").

The Offers closed at 4:00 p.m. on 9 July 2010. As at 4:00 p.m. on Friday, 9 July 2010, being the latest time and date for acceptance of the Offers as set out in the Company's composite document dated 18 June 2010, valid acceptances in respect of a total of 118,650 shares under the Offers, representing approximately 0.012% of the issued share capital of the Company as at 9 July 2010, had been received by the Offeror.

Taking into account the valid acceptances in respect of 118,650 shares under the Offers, the Offeror and parties acting in concert with it became interested in an aggregate of 546,964,782 shares immediately after the closing of the Offers, representing approximately 56.02% of the issued share capital of the Company as at the date of this report.

Upon the closing of the Offers, at least 25% of the issued share capital of the Company as at the date of this report continues to be held by the public. Accordingly, the Company complies with the minimum public float requirement under Rule 11.23 of the GEM Listing Rules.

OPERATIONAL REVIEW

During the period under review, the Group sought to further enlarge its revenue base through the further development of the Group's internet protocol television ("IPTV") division which currently provides internet protocol value added services to the greater southern China region. The Company has a sufficient level of operations in its IPTV division and has sufficient assets to operate its business as a going concern. The Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business. The Company also has, in addition to those assets held by the IPTV division, sufficient assets to operate its business due to the continuing support of the Company's immediate holding company.

The Board, looking forward, is contemplating transferring the investment operations of the Group, which will allow the Company to focus on project investments which will derive value for the Company's shareholders, and pave the way for the Company's future growth, both in terms of revenue streams and profits achieved from its business operations.

Having consolidated the control of the Company, through the restructuring exercise which was completed in May 2010, wherein Glamour House Limited obtained majority control of the Company's immediate holding company Asian Dynamics, the Board in now well positioned to pursue other new business pursuits. In fact Glamour House Limited has been a substantial shareholder of Asian Dynamics for many years, and the restructuring exercise, which was completed upon the close of the mandatory unconditional general offers on 9 July 2010, will facilitate the Board being able to focus, with further support from the Company's ultimate controlling shareholder, the pursuit of other project investments which the Board is of the view will derive enhanced benefit to the Company and the Company's shareholders.

Such new business pursuits may, should the economic environment accommodate future development, encompass the investment into projects which will provide synergy between the Group's existing IPTV division, whilst building on the Board's knowledge gained through the Company's logistics operations.

Performance of operating divisions

Status of Closing down of Ever-OK

Shareholders and potential investors were advised by the Board in the Company's announcement dated 2 November 2009 that the Board was informed by the management of Ever-OK that Ever-OK was not operating as a profitable entity, and that the achievement of profitability in the foreseeable future was not a realistic possibility. Given that information, and given the Board's desire to focus on the newly acquired IPTV division, the Board determined that it was in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business of Ever-OK.

The Board is of the view that the closure of the business operations of Ever-OK will not have an adverse effect on the Group, rather such closure, which will allow the Group to reduce its operating costs, will lead it is anticipated towards the Group achieving profitability in future periods through the reduction of further capital expenditure and reallocation of such capital to the Group's IPTV division and future project investments the Group intends to engage in.

After the initiation of the closure of Ever-OK, the Group's logistics division has not derived any revenue attributable to the Group since 31 December 2009. The Board expects to finalise the closure of Ever-OK within the forthcoming reporting periods. The Board does not foresee the Company having to outlay any further capital in effecting the closure of Ever-OK in the forthcoming periods. Whilst the Board is effecting the closure of Ever-OK, it does not intend that the Group will depart from the logistics industry entirely and, as stated above, is presently researching and developing potential project investments which will bring synergy between the Group's existing IPTV division, whilst drawing on the knowledge the Board has acquired through the operations of the Group's logistics division. The Board is now considering acquiring a project investment of this nature. That is an acquisition of a project which will align both the IPTV division with the Board's knowledge of the logistics industry.

Information Technology

For the six months ended 30 June 2010, the Group's revenue from its IPTV division was composed of the provision of technology and upgrades, contents and high-definition ("HD") value added services to the customers of established internet and network services providers which South Pearl Limited ("South Pearl") is currently in partnership with, which amounted to approximately HK$3,109,000.

As to South Pearl's provision of direct IPTV services, this is a complicated technology platform. Nevertheless, the Board is pleased to report that to date test runs have been successfully implemented with about 200 families and the receptive level has been excellent. Having established and upgraded its necessary networks, South Pearl expects that it will launch the provision of direct IPTV services with associated value-added services in full force in the next one to two years, and that the expected potential subscribers to the proposed direct IPTV services to be provided, upon completion of the development and implementation of this technology platform, is expected to be no less than 50,000 subscribers.

South Pearl is now also actively negotiating agreements with other third parties for the provision of advertising slots and services, the revenue from which will be derived once the direct IPTV services network issues are addressed and the direct IPTV services are provided to South Pearl's potential customer base for the receipt of direct IPTV services. As to its downstream services, South Pearl intends to negotiate agreements to sell advertising airtime in the later half of 2010, and has already concluded an agreement for the provision of RMB5,000,000 of advertising airspace to Guangdong Tao Lue Advertising Company Limited (廣州濤略廣告有限公司) ("Toshe"). The Board, with regard to the proposed further advertising agreements to be agreed, such as the Toshe advertising agreement, expects that revenue from these proposed agreements will be realized upon the provision of the direct IPTV services to South Pearl's potential consumer base, at which time the Group's revenue is expected to increase. South Pearl is targeting achieving no less than approximately RMB10,000,000 in revenue from the sale and provision of advertising airspace services for 2010.

In addition the company known as Guangdong E.Trust Information Investment Co Ltd (廣東盈信信息投資有限公司) ("Yung Shing") is an internet services provider ("ISP") based in the Guangzhou region which provides ISP services to its subscriber base which the Board has been advised generates no less approximately RMB60,000,000 in revenue for Yung Shing per annum. In the Group's usual and ordinary course of business Guangzhou Wavecom Communications and Advertising Limited ("Wavecom"), which is wholly-owned as to 100% by the Company, intends to enter into servicing agreements with Yung Shing whereby Wavecom will provide internet protocol value added services to Yung Shing's subscribers, in return for which Wavecom will receive an appropriate portion of Yung Shing's revenue based on the value added services provided. The Board expects that these servicing agreements, once concluded, will generate value added revenue of approximately RMB10,000,000 to RMB15,000,000 for 2010.

Looking forward to the forthcoming quarters, Wavecom is seeking to enter into agreements with other ISP providers to further expand the revenue that the IPTV division expects to generate from the provision of internet protocol value added services to the established subscriber bases of other ISP providers. In terms of the revenue derived by Wavecom, 100% of this revenue is directly attributable to the condensed consolidated accounts of the Group, given the fact that the Company owns Wavecom as to 100%.

Presently, as the Board understands the position, there are only five providers of IPTV services in the Guangdong region, one of which is China Telecom, and the Board understands that none of those five providers offer the HD services which South Pearl has contracted to provide. Most of those IPTV services providers only have access to hotels, and not communities like South Pearl has. South Pearl launched the provision of internet protocol valued added HD services to an established consumer base of ISP providers in January 2010, and is ahead of other IPTV services providers in this respect.

The Board is of the view that the key competitive strength of the Group, with regards to the IPTV division, is its exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) (the "Permit") granted from Guangzhou Television Broadcast Microwave General Station (廣州市廣播電視微波總站). To date, the Group's IPTV division has secured the necessary operating licenses and has fulfilled the necessary research, development and technology investment, such as an agreement with Microsoft, to position itself for the provision of direct IPTV services to the greater southern China region.

The Board has noted that recently the IPTV industry in the southern China region has undergone a diversification process, wherein a new licensing regime has been incorporated into the telecommunications, and hence the IPTV industry. The Board understands that the Guangzhou Broadcasting Bureau will issue a directive that all broadcasting licenses must also incorporate the involvement of the Guangzhou Broadcasting Bureau into the operations carried on pursuant to the relevant broadcasting licenses. The Board understands that the Permit, namely the Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證), will comply with the proposed directive of the Guangzhou Broadcasting Bureau, which the Board considers will ensure that the Group's IPTV operations will not, in the foreseeable future, face any compliance issues in this regard.

The Board considers that the diversification process which the IPTV industry in the southern China region is undergoing justifies the slow pace of the development of the Group's IPTV division. In fact recently the authorities in China have been implementing a convergence process whereby three of the existing telecommunications networks will be incorporated into one regime. The new regime, and the newly enacted regulations, will mainly be related to the implementation of a regime whereby the Guangzhou Broadcasting Bureau has more input into the telecommunications industry. The Permit, which as an intangible asset has the value of approximately HK$159,247,000 at present, as recorded in the unaudited condensed consolidated balance sheet above, accommodates and accords with the proposed new regulatory regime, which further justifies the value of the Permit. In fact the implementation of the new regulatory regime that applies to the telecommunications industry in China has been delayed by approximately nine months, which is one of the reasons that the Board has been cautious in further investing, developing and expanding the Group's IPTV division, given the uncertainty that surrounds the new regulatory regime and the unknown compliance issues which may arise in future.

The Board, through its adoption of a prudent and cautious approach to the proposed new regulatory regime, is positioning the Company to take advantage of the new regulations, once they are enacted. As the Permit meets the requirements of the proposed new regulations, saving any unforeseen amendments to the new regulatory regime, the IPTV division will be well placed to take immediate advantage of the benefits afforded by the new regulatory regime once it comes into effect. The Board is also expectant that the East Asian Games, which will be held in Guangzhou in November 2010, will generate a surge in to the revenue derived from the Group's IPTV division, given the extensive audio-visual coverage of this event.

Whilst the Board has been adopting a prudent and cautious approach with regard to further investing, developing and expanding the Group's IPTV division, the Board has been very actively involved in developing the IPTV division such that it has sufficient assets and a sufficient level of operations which the Board is of the view delivers present, and more positively looking forward, future enhanced benefits for the Company's shareholders.

The Board anticipates, with regard to the existing client base and revenue streams that are expected to be generated by the IPTV division, that the Company will achieve revenues at a level similar, and if not better, than those for the year ended 31 December 2009. Furthermore, the Board, with a view to further expansion of the Group's IPTV division in the greater southern China region in 2010 and other related projects, will consider raising additional finance in order to provide additional equity funding to the Group by way of a further issue of the Company's shares or private placement of the Company's shares in the forthcoming periods of 2010.

Financial Consultancy

Apart from the aforementioned operations, the Group continues to research, develop and explore investment opportunities which are strategic to its business operations and which will contribute significantly to the return of the Company's shareholders.

With the acquisition of Vega International Group Limited, which is principally engaged in the provision of services in corporate finance and investment, project planning and development, technology project brokerage services, corporate development services, management consulting and post-acquisition advisory and professional management services, the Group is researching, developing and exploring further opportunities for development in the corporate finance sector which will further contribute to the current revenue streams generated by the Group.

In relation to the corporate finance sector, the Board is planning to devote more time and resources towards expanding the provision of financial consultancy services to business sectors that complement and have synergy with the household consumers and media services that the IPTV division of the Company is presently pursuing. The Board envisages that such services, if agreed, will encompass the establishment of financial advisory offices which will provide investment, financial and project management advise to other companies. In terms of these consultancy services, they will be negotiated in the normal course of business and shareholders will be kept informed of this division as it progresses.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at the 30 June 2010, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571, ("SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares

	Number of issued shares held, capacity and nature of interest					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued Shares as at 30 June 2010
Directors						
Mr. Xie Xuan	–	–	546,846,132 *(Note 1)*	–	546,846,132	56.01
Mr. Qiu Yue	15,600,000	–	18,620,436 *(Note 2)*	–	34,220,436	3.50
	15,600,000	–	565,466,568	–	581,066,568	59.51

Note 1: The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 2: The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Save as disclosed above, as at the 30 June 2010, none of the Directors or chief executive of the Company had any interests or short positions 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests and short positions of the Substantial Shareholders in the shares, underlying shares and debentures of the Company

As at 30 June 2010, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

(i) Interests in the Shares

Name of Shareholder	Capacity	Number of shares	Approximate % issued Shares as at 30 June 2010
Asian Dynamics International Limited	Beneficial owner	546,846,132	56.01%
Glamour House Limited *(Note 1)*	Interest of a controlled corporation	546,846,132	56.01%
Mr. Chu Yat Hong *(Note 2)*	Interest of a controlled corporation	546,846,132	56.01%

Note 1: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

Note 2: The controlled corporation is Glamour House Limited, which is beneficially owned at to 90% by Mr. Chu Yat Hong, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Save as disclosed above, as at 30 June 2010, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

MANAGEMENT SHAREHOLDER

As far as the Directors are aware of, other than Asian Dynamics International Limited, Glamour House Limited, Mr. Chu Yat Hong, and Mr. Xie Xuan, as disclosed above, there was no other person as at 30 June 2010 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

SHARE OPTIONS AND SHARE OPTION SCHEME

Pursuant to a specific mandate granted by the Company's shareholders at the extraordinary general meeting held on 4 October 2007, the Company granted 97,840,073 share options (the "Share Options") entitling the holders of the Share Options to subscribe for 97,840,073 ordinary shares at the exercise price of HK$0.275 per share.

On 29 June 2010 three holders of the Share Options exercised their entire respective holdings in 13,000,000 Share Options in aggregate, at the exercise price of HK$0.275 per share. The Board, after receipt of the valid exercise notices and the respective payments to the Company from the three holders in respect of the 13,000,000 Share Options, resolved on 29 June 2010 to issue and allot 13,000,000 new ordinary shares to the three holders at the issue price of HK$0.275 per share.

As at 30 June 2010, there were outstanding 84,840,073 Share Options that fall to be exercised at the exercise price of HK$0.275 per share.

The Company had a share option scheme, under which it could grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of the options. The Company's employee share option scheme commenced on 2 December 1999 and expired on 1 December 2009. The Company does not currently have a share option scheme in effect.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2010.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

Compliance with Corporate Governance Code

To ensure compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules, the Board will continue to monitor and revise the Company Code to bring its corporate governance practices in line with the changes in the environment and requirements of the Code.

In the opinion of the Directors, the Company has complied with all the provisions of the Code for the six months ended 30 June 2010, except:

(i) under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has set out in written terms the responsibilities between the chairman and chief executive officer. At present, Mr. Xie Xuan, the chairman of the Company, also undertakes the responsibilities of the chief executive officer until a new chief executive officer is found. The Company considers that under the supervision of its Board and its non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

(ii) under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive directors of the Company are subject to retirement by rotation at annual general meetings pursuant to the articles of association of the Company.

(iii) under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The chairman of the Company, Mr. Xie Xuan, had not attended the Company's annual general meeting for 2010 due to other business commitments.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Company's directors.

The Company has made specific enquiry of all its directors and the directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 June 2010.

Board of Directors

The Board is responsible for managing the Company on behalf of the shareholders. The Board is of the view that it is the directors' responsibility to create value for the shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The Board comprises a total of eight directors, with three executive directors, namely Mr. Xie Xuan (Chairman), Mr. Yang Qiulin, and Mr. Qiu Yue; two non-executive directors, namely Mr. Lo Mun Lam, Raymond (Vice-Chairman), and Mr. Andrew James Chandler; and three independent non-executive directors namely Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.

The Board meets at least four times a year with additional meetings arranged when necessary, to review the financial performance, results of each quarter, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference calls may be used to improve attendance when an individual director cannot attend the meeting in person.

Internal Control

The directors have reviewed and are satisfied with their ability to comply with the policies installed as part of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions. Furthermore, the directors are satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programs and budget.

Audit Committee

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Dr. Feng Ke and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 10 August 2010