China Post E-Commerce (Holdings) Limited

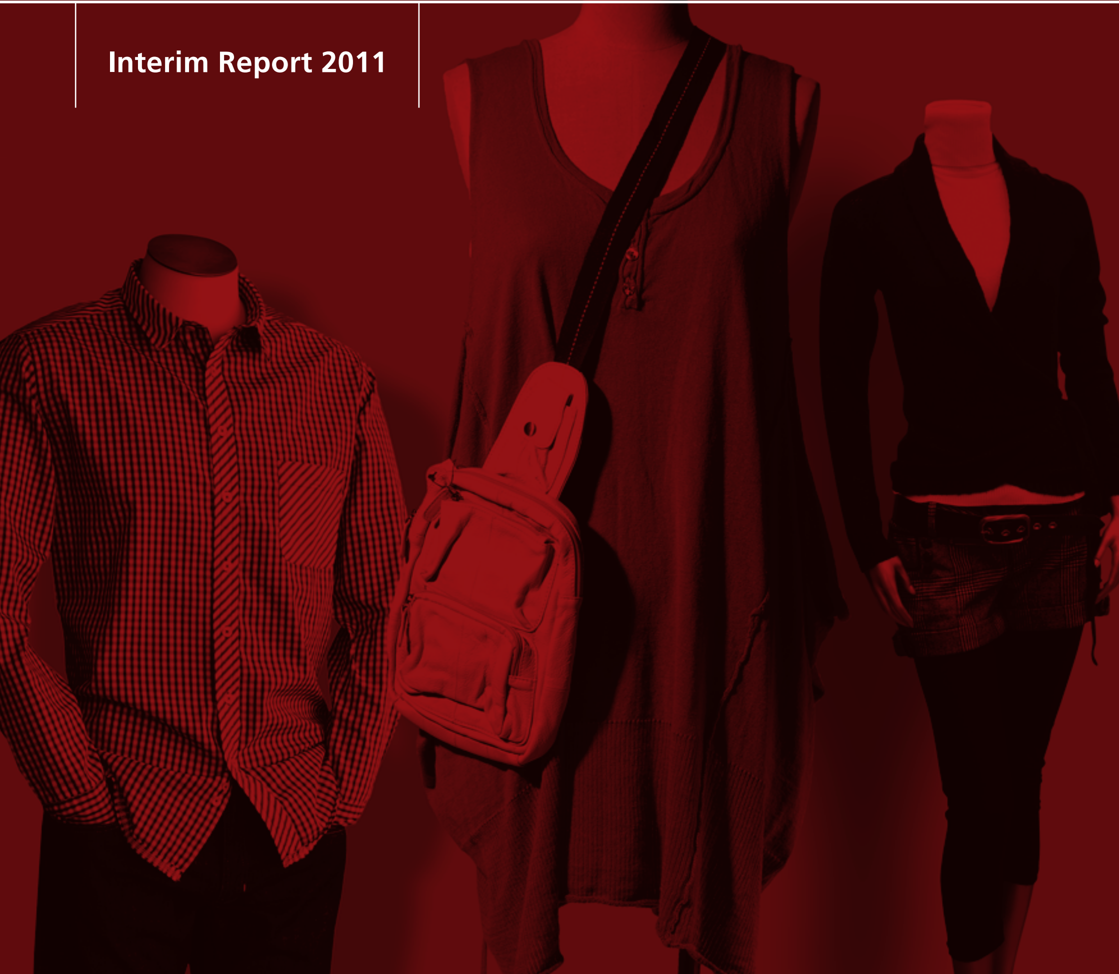
中郵電貿（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8041)

Website : http://www.cpech.com

Interim Report 2011



** For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with GEM Listing Rules for the purpose of giving information with regard to the company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group has recorded total unaudited turnover of approximately HK$73,186,000 for the six months ended 30 June 2011 representing approximately 68% increase over the corresponding period of 2010.

- The Group's gross profit amounted to approximately HK$9,848,000 for the six months ended 30 June 2011 whereas the gross profit of approximately HK$13,769,000 in the corresponding period of 2010.

- The Group has recorded unaudited loss attributable to owners of the Company for the six months ended 30 June 2011 of approximately HK$271,646,000, representing a basic loss per share of HK12.38 cents.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

- The Group has a sound financial position with bank and cash balances of approximately HK$62,114,000 and bank borrowings of approximately HK$6,625,000 as at 30 June 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Three months ended 30 June 2011 HK$'000 (unaudited)	Three months ended 30 June 2010 HK$'000 (unaudited and restated)	Six months ended 30 June 2011 HK$'000 (unaudited)	Six months ended 30 June 2010 HK$'000 (unaudited and restated)
Turnover		**41,443**	24,084	**73,186**	43,540
Cost of sales and service rendered		**(37,829)**	(16,866)	**(63,338)**	(29,771)
Gross profit		**3,614**	7,218	**9,848**	13,769
Other income		**1,724**	65	**1,816**	131
Selling expenses		**(108)**	–	**(108)**	–
Administrative expenses		**(12,585)**	(3,368)	**(24,001)**	(6,327)
Other operating expenses		**(2,155)**	(2,142)	**(4,968)**	(3,968)
Impairment of goodwill	*11*	**–**	–	**(254,853)**	–
(Loss)/profit from operations		**(9,510)**	1,773	**(272,266)**	3,605
Finance costs	*5*	**(574)**	(62)	**(636)**	(319)
(Loss)/profit before tax		**(10,084)**	1,711	**(272,902)**	3,286
Income tax credit/(expense)	*6*	**426**	(1,816)	**(94)**	(3,352)
Loss for the period	*7*	**(9,658)**	(105)	**(272,996)**	(66)
Attributable to:					
Owners of the Company		**(8,865)**	290	**(271,646)**	1,216
Non-controlling interests		**(793)**	(395)	**(1,350)**	(1,282)
		(9,658)	(105)	**(272,996)**	(66)
(Loss)/earnings per share	*8*				
Basic		**HK(0.38) cent**	HK0.02 cent	**HK(12.38) cents**	HK0.07 cent
Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited and restated)	**(unaudited)**	(unaudited and restated)
Loss for the period	**(9,658)**	(105)	**(272,996)**	(66)
Other comprehensive income:				
Exchange differences on translating foreign operations	**1**	–	**588**	(122)
Other comprehensive income for the period, net of tax	**1**	–	**588**	(122)
Total comprehensive income for the period	**(9,657)**	(105)	**(272,408)**	(188)
Attributable to:				
Owners of the Company	**(8,864)**	290	**(271,058)**	1,094
Non-controlling interests	**(793)**	(395)	**(1,350)**	(1,282)
	(9,657)	(105)	**(272,408)**	(188)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2011 *HK$'000* (unaudited)**	31 December 2010 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**36,319**	38,949
Club debenture		**205**	–
Goodwill	*11*	**496,212**	75,343
		532,736	114,292
Current assets			
Inventories		**43,593**	18,031
Trade and other receivables	*12*	**136,656**	87,668
Pledged bank deposits		**6,241**	2,000
Bank and cash balances		**62,114**	40,603
		248,604	148,302
Current liabilities			
Trade and other payables	*13*	**214,636**	20,113
Promissory notes		**12,400**	12,400
Convertible loans		**12,048**	–
Bank and other loans		**18,226**	–
Finance lease payables		**286**	–
Employee benefit obligations		**3,839**	–
Current tax liabilities		**36,530**	24,879
		297,965	57,392
Net current (liabilities)/assets		**(49,361)**	90,910
Total assets less current liabilities		**483,375**	205,202

	Note	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current liabilities			
Promissory notes		**39,077**	–
Deposits received		**3,659**	–
Deferred tax liabilities		**5,425**	6,869
		48,161	6,869
NET ASSETS		**435,214**	198,333
Capital and reserves			
Share capital	*14*	**326,601**	101,903
Reserves		**103,931**	101,725
Equity attributable to owners of the Company		**430,532**	203,628
Non-controlling interests		**4,682**	(5,295)
TOTAL EQUITY		**435,214**	198,333

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Plant and machinery revaluation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Convertible loans reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2010, as previous reported	92,903	234,583	1,690	17,344	12,809	150	–	(54,044)	305,435	(3,867)	301,568
Retrospective restatement *(note 3)*:											
Understatement of depreciation charge *(note 3(a))*	–	–	–	25,901	–	–	–	(25,901)	–	–	–
Overstatement of cost of sales *(note 3(b))*	–	–	–	–	–	–	–	8,035	8,035	–	8,035
Acquisition of iKan TV Limited *(note 3(c))*	–	(53,630)	–	–	–	–	–	–	(53,630)	–	(53,630)
Acquisition of Info-Source Media Limited *(note 3(d))*	–	(14,275)	–	–	–	–	–	–	(14,275)	–	(14,275)
	–	(67,905)	–	25,901	–	–	–	(17,866)	(59,870)	–	(59,870)
At 1 January 2010, as restated	92,903	166,678	1,690	43,245	12,809	150	–	(71,910)	245,565	(3,867)	241,698
Total comprehensive income and changes in equity for the period	–	–	(122)	–	–	–	–	1,216	1,094	(1,282)	(188)
At 30 June 2010	92,903	166,678	1,568	43,245	12,809	150	–	(70,694)	246,659	(5,149)	241,510
At 1 January 2011	101,903	193,678	3,025	19,169	4,270	150	–	(118,567)	203,628	(5,295)	198,333
Total comprehensive income for the period	–	–	588	–	–	–	–	(271,646)	(271,058)	(1,350)	(272,408)
Acquisition of subsidiaries	262,698	234,074	–	–	–	–	1,190	–	497,962	11,327	509,289
Conversion of convertible non-voting preference shares into ordinary shares	(38,000)	38,000	–	–	–	–	–	–	–	–	–
Changes in equity for the period	224,698	272,074	588	–	–	–	1,190	(271,646)	226,904	9,977	236,881
At 30 June 2011	326,601	465,752	3,613	19,169	4,270	150	1,190	(390,213)	430,532	4,682	435,214

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(2,836)**	(11,989)
Purchases of property, plant and equipment	**(358)**	(45)
Other investing cash flows (net)	**24,128**	(1,945)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**23,770**	(1,990)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**–**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**20,934**	(13,979)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**40,603**	36,973
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**577**	22
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**62,114**	23,016
Bank and cash balances	**62,114**	23,016

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. Basis of preparation

These condensed 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 (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except as stated below.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

Related Party Disclosures

HKAS 24 (Revised) "Related Party Disclosures" revises the definition of a related party and provides a partial exemption of disclosing related party transactions for government-related entities.

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

HKAS 24 (Revised) exempts an entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with

– a government that has control, joint control or significant influence over the entity; and

– another entity that is a related party because the same government has control, joint control or significant influence over both entities.

The entity that applies the exemption is required to disclose the following:

– the name of the government and the nature of its relationship with the entity (i.e. control, joint control or significant influence); and

– the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

  (i) the nature and amount of each individually significant transaction; and

  (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

HKAS 24 (Revised) has been applied retrospectively and related party transactions disclosed in the financial information of the Group for the six months ended 30 June 2010 were no longer considered as related party transactions under the new definition.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Retrospective restatement

The Group's financial statements for the three months ended 30 June 2010 and six months ended 30 June 2010 have been restated by the Company:

(a) The plant and machinery was stated at valuation by the directors as at 31 December 2006, 2007, 2008 and 2009. Consequently, no depreciation on plant and machinery was charged for each of the four years ended 31 December 2009. Hence, there was an understatement of depreciation charge for each of the four years ended 31 December 2009. In view of the aforesaid, the plant and machinery revaluation reserve and accumulated losses at 1 January 2010 were restated accordingly.

(b) Cost of sales was overstated for each of the three years ended 31 December 2009 representing the overcharge of manufacturing costs by the then related company due to clerical error. The error was discovered in current year and it was agreed between the Group and the then related company that the error be rectified retrospectively. Hence, the accumulated losses at 1 January 2010 was restated accordingly.

(c) During the year ended 31 December 2009, the Group acquired 53% of the issued share capital of iKanTV Limited which was satisfied by cash of approximately HK$9,200,000 and issuance of 830,000,000 shares and 140,000,000 shares of the Company on 29 April 2009 and 30 September 2009 respectively. The shares issued by the Company for the acquisition of iKan TV Limited were recorded at the issue prices of HK$0.048 per share and HK$0.55 per share, respectively, as stipulated in the sale and purchase agreements. The cost of acquisition of iKanTV Limited was also based on the issue prices of the shares issued by the Company. Pursuant to HKFRS 3 "Business Combination", the cost of acquisition should be based on the fair value of shares issued which then should be determined based on the published share prices of the Company at the dates of exchange. The above accounting treatment resulted in an overstatement of share premium account of approximately HK$53,630,000 at 1 January 2010. As a consequence, the share premium account at 1 January 2010 was restated accordingly.

(d) During the year ended 31 December 2009, the Group acquired 20% equity interests in Info-Source Media Limited which was satisfied by cash of approximately HK$14,400,000 and issuance of 360,000,000 shares and 35,820,895 shares of the Company on 3 February 2009 and 3 September 2009 respectively. The shares issued for the acquisition of Info-Source were recorded at the issue prices of HK$0.08 per share and HK$0.402 per share, respectively, as stipulated in the sale and purchase agreement. The cost of acquisition of Info-Source was also based on the issue prices of the shares issued by the Company. Pursuant to HKAS 39 "Financial Instruments: Recognition and Measurement", the cost of acquisition should be based on the fair value of shares issued which then should be determined based on the published share prices of the Company at the dates of exchange. The above accounting treatment resulted in an overstatement of share premium account of approximately HK$14,275,000 at 1 January 2010. Thus, the share premium account at 1 January 2010 was restated accordingly.

The effects of retrospective restatement are summarised below:

Condensed consolidated income statement for the six months ended 30 June 2010

	2010 *HK$'000* (as previously reported)	Effect of restatement: increase/ (decrease) Adjustment (b) *HK$'000*	Reclassification *HK$'000*	2010 *HK$'000* (as restated)
Turnover	43,540	–	–	43,540
Costs of sales and service rendered	(31,459)	5,173	(3,485)	(29,771)
Gross profit	12,081	5,173	(3,485)	13,769
Other income	131	–	–	131
Administrative expenses	(6,068)	–	(259)	(6,327)
Depreciation for property, plant and equipment	(3,744)	–	3,744	–
Other operating expenses	(3,968)	–	–	(3,968)
(Loss)/profit from operations	(1,568)	5,173	–	3,605
Finance costs	(319)	–	–	(319)
(Loss)/profit before tax	(1,887)	5,173	–	3,286
Income tax expense	(2,059)	(1,293)	–	(3,352)
(Loss)/profit for the period	(3,946)	3,880	–	(66)
Attributable to:				
Owners of the Company	(2,664)	3,880	–	1,216
Non-controlling interests	(1,282)	–	–	(1,282)
	(3,946)	3,880	–	(66)
(Loss)/earnings per share				
Basic	HK(0.14) cent	HK0.21 cent	–	HK0.07 cent
Diluted	N/A	N/A	N/A	N/A

Condensed consolidated income statement for the three months ended 30 June 2010

	2010 *HK$'000* (as previously reported)	Effect of restatement: increase/(decrease) Adjustment (b) *HK$'000*	Reclassification *HK$'000*	2010 *HK$'000* (as restated)
Turnover	24,084	–	–	24,084
Costs of sales and service rendered	(17,702)	2,579	(1,743)	(16,866)
Gross profit	6,382	2,579	(1,743)	7,218
Other income	65	–	–	65
Administrative expenses	(3,239)	–	(129)	(3,368)
Depreciation for property, plant and equipment	(1,872)	–	1,872	–
Other operating expenses	(2,142)	–	–	(2,142)
(Loss)/profit from operations	(806)	2,579	–	1,773
Finance costs	(62)	–	–	(62)
(Loss)/profit before tax	(868)	2,579	–	1,711
Income tax expense	(1,172)	(644)	–	(1,816)
(Loss)/profit for the period	(2,040)	1,935	–	(105)
Attributable to:				
Owners of the Company	(1,645)	1,935	–	290
Non-controlling interests	(395)	–	–	(395)
	(2,040)	1,935	–	(105)
(Loss)/earnings per share				
Basic	HK(0.09) cent	HK0.11 cent	–	HK0.02 cent
Diluted	N/A	N/A	N/A	N/A

4. Segment information

The Group has four reportable segments as follows:

Ceramic blanks and ferrules	–	Manufacturing and trading of ceramic blanks and ferrules
On-line shopping and advertising	–	Provision of on-line shopping, advertising and media related services
Swimwear	–	Manufacturing and trading of high-end swimwear and related garment products
Apparel and related accessories	–	Trading and retail of apparel and related accessories under the brand name of "Tonino Lamborghini"

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segment includes general trading business. This segment does not meet any of the quantitative thresholds for determining reportable segment. The information of this other operating segment is included in the 'others' column.

Segment profits or losses do not include other income, finance costs, impairment of goodwill and corporate administrative and other operating expenses. Segment assets do not include club debenture, goodwill and other assets for general administrative use.

	Ceramic blanks and ferrules HK$'000 (unaudited)	On-line shopping and advertising HK$'000 (unaudited)	Swimwear HK$'000 (unaudited)	Apparel and related accessories HK$'000 (unaudited)	Others HK$'000 (unaudited)	Total HK$'000 (unaudited)
Six months ended 30 June 2011:						
Revenue from external customers	**48,974**	**5,697**	**18,515**	**–**	**–**	**73,186**
Segment (loss)/profit	**(2,896)**	**(5,243)**	**1,246**	**–**	**–**	**(6,893)**
As at 30 June 2011:						
Segment assets	**82,792**	**2,634**	**16,187**	**33,704**	**–**	**135,317**
Six months ended 30 June 2010:						
Revenue from external customers	42,019	684	–	–	837	43,540
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Segment profit/(loss)	6,570	(2,451)	–	–	(557)	3,562
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
As at 31 December 2010:						
Segment assets	85,908	2,673	–	–	178	88,759

	Six months ended 30 June 2011	Six months ended 30 June 2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited and restated)
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	**(6,893)**	3,562
Impairment of goodwill	**(254,853)**	–
Other profit or loss	**(11,250)**	(3,628)
Consolidated loss for the period	**(272,996)**	(66)

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Reconciliation of segment assets:		
Total assets of reportable segments	**135,317**	88,759
Club debenture	**205**	–
Goodwill	**496,212**	75,343
Other assets	**149,606**	98,492
Consolidated total assets	**781,340**	262,594

5. Finance costs

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on promissory notes	**636**	124
Interest on other loans and advances	**–**	195
	636	319

6. Income tax expense

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited and restated)
Current tax – PRC Enterprise Income tax		
Provision for the period	**1,846**	3,352
Deferred tax	**(1,752)**	–
	94	3,352

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (2010: Nil).

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. Loss for the period

The Group's loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**(6)**	(7)
Depreciation	**10,146**	3,744
Directors' remuneration	**1,936**	1,715
Allowance for inventories	**5,870**	–

8. (Loss)/earnings per share

Basic (loss)/earnings per share

Six months ended 30 June 2011

The calculation of basic loss (2010: earnings) per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK$271,646,000 (2010 (restated): profit of HK$1,216,000) and the weighted average number of ordinary shares of 2,193,713,039 (2010: 1,858,055,819) in issue during the period.

Three months ended 30 June 2011

The calculation of basic loss (2010: earnings) per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK$8,865,000 (2010 (restated): profit of HK$290,000) and the weighted average number of ordinary shares of 2,347,659,740 (2010: 1,858,055,819) in issue during the period.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary share during the six months ended 30 June 2011 and 2010.

9. Dividend

The directors do not recommend the payment of dividend for the six months ended 30 June 2011 (2010: Nil).

10. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately HK$358,000.

11. Goodwill

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Cost		
At beginning of period/year	**75,343**	75,343
Acquisition of Easy Time Trading Limited ("Easy Time") *(note 15(a))*	**645,614**	–
Acquisition of Charmston (Holdings) Limited ("Charmston") *(note 15(b))*	**30,108**	–
At end of period/year	**751,065**	75,343
Accumulated impairment losses		
At beginning of period/year	**–**	–
Impairment loss recognised in the current period/year *(note)*	**254,853**	–
At end of period/year	**254,853**	–
Carrying amount		
At end of period/year	**496,212**	75,343
At beginning of period/year	**75,343**	75,343

Note:

During the three months ended 31 March 2011, the Group acquired Easy Time of which the fair value of the identifiable assets and liabilities of Easy Time and its subsidiaries ("Easy Time Group") acquired were determined provisionally. An allowance for impairment of goodwill of approximately HK$278,231,000 was made in the financial information of the Group for the three months ended 31 March 2011.

During the three months ended 30 June 2011, the Group made certain fair value adjustments to the carrying amounts of the identifiable assets and liabilities of Easy Time Group as a result of completing the initial accounting. The adjustments to the fair values at the acquisition date of the identifiable assets and liabilities were made as if initial accounting had been incorporated from the date of acquisition. As a result of this change in accounting estimate, allowance for impairment of goodwill decreased by approximately HK$23,378,000 to HK$254,853,000 for the six months ended 30 June 2011.

12. Trade and other receivables

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and bills receivables	**55,301**	31,677
Prepayments, deposits and other receivables	**81,355**	55,991
	136,656	87,668

The Group normally allows credit terms to customers except for retail customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current to 30 days	**24,372**	16,419
31 – 90 days	**22,235**	10,318
91 – 180 days	**4,028**	2,888
Over 180 days	**4,666**	2,052
	55,301	31,677

13. Trade and other payables

	30 June 2011 *HK$'000* (unaudited)	31 December 2010 *HK$'000* (audited)
Trade payables	**14,588**	4,023
Due to an ex-director	**3,936**	3,936
Other payables *(note)*	**196,112**	12,154
	214,636	20,113

Note:

Included contingent consideration payable for the acquisition of Easy Time of approximately HK$149,333,000 (At 31 December 2010: HK$Nil) due to an independent third party. The contingent consideration will be settled by issuance of 533,333,333 ordinary shares (the "Consideration Shares") of the Company at an issue price of HK$0.150 per share upon completion of certain conditions stipulated in the sale and agreement for the acquisition of Easy Time. At the date of acquisition of Easy Time, contingent consideration payable was stated at the fair value of 533,333,333 ordinary shares of the Company by reference to the published share price of HK$0.28.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	30 June 2011 *HK$'000* (unaudited)	31 December 2010 *HK$'000* (audited)
Current to 30 days	**4,941**	1,748
31 – 90 days	**4,469**	229
91 – 180 days	**2,244**	170
Over 180 days	**2,934**	1,876
	14,588	4,023

14. Share capital

	Note	30 June 2011 Number of shares '000 (unaudited)	30 June 2011 Amount HK$'000 (unaudited)	31 December 2010 Number of shares '000 (audited)	31 December 2010 Amount HK$'000 (audited)
Authorised:					
Ordinary shares of HK$0.05 each					
At beginning of period/year		**10,000,000**	**500,000**	10,000,000	500,000
Increase in authorised share capital	*(a)*	**4,000,000**	**200,000**	–	–
At end of period/year		**14,000,000**	**700,000**	10,000,000	500,000
Convertible non-voting preference shares of HK$0.15 each					
At beginning of period/year		**–**	**–**	–	–
Increase in authorised share capital	*(a)*	**2,000,000**	**300,000**	–	–
At end of period/year		**2,000,000**	**300,000**	–	–
Total		**16,000,000**	**1,000,000**	10,000,000	500,000
Issued and fully paid:					
Ordinary shares of HK$0.05 each					
At beginning of period/year		**2,038,056**	**101,903**	1,858,056	92,903
Placement of new shares		**–**	**–**	180,000	9,000
Conversion of convertible non-voting preference shares	*(c)*	**380,000**	**19,000**	–	–
Issue of consideration shares	*(d)*	**53,957**	**2,698**	–	–
At end of period/year		**2,472,013**	**123,601**	2,038,056	101,903
Convertible non-voting preference shares of HK$0.15 each					
At beginning of period/year		**–**	**–**	–	–
Issue of consideration shares	*(b)*	**1,733,333**	**260,000**	–	–
Conversion during the period	*(c)*	**(380,000)**	**(57,000)**	–	–
At end of period/year		**1,353,333**	**203,000**	–	–
Total		**3,825,346**	**326,601**	2,038,056	101,903

Notes:

(a) Pursuant to an extraordinary general meeting held on 28 March 2011, the Company increased its authorised share capital by HK$500,000,000, by the creation of 4,000,000,000 additional ordinary shares of HK$0.05 each and 2,000,000,000 convertible non-voting preference shares of HK$0.15 each.

(b) On 31 March 2011, 1,733,333,333 new convertible non-voting preference shares of HK$0.15 each were issued as part of the consideration for the acquisition of the entire issued share capital of Easy Time. The fair value of the convertible non-voting preference shares, at the date of issue, was approximately HK$485,333,000. An amount of approximately HK$225,333,000 was credited to the share premium account.

(c) On 18 April 2011, 380,000,000 ordinary shares of HK$0.05 each were issued as a result of the conversion of 380,000,000 convertible non-voting preference shares.

(d) On 30 June 2011, 53,956,835 new ordinary shares of HK$0.05 each were issued as part of the consideration for the acquisition of a 51% equity interest in Charmston. The fair value of those 53,956,835 ordinary shares issued was determined by reference to the published share price of HK$0.212 at the date of issue.

15. Acquisition of subsidiaries

(a) Easy Time

On 31 March 2011, the Group acquired the entire issued share capital of Easy Time at a consideration of approximately HK$390,000,000. The consideration was/will be satisfied by the Company in the following manner:

– as to a sum of HK$260,000,000 by the way of issuance of convertible non-voting preference shares at an issue price of HK$0.150 per share;

– as to a sum of HK$50,000,000 by the way of issuance of promissory notes; and

– as to the balance of HK$80,000,000 by the way of issuance of the Consideration Shares at an issue price of HK$0.150 per share.

Easy Time was principal engaged in investment holding. Its non-wholly owned subsidiary, Ratio Knitting Factory Limited, was principal engaged in manufacturing and trading of high-end swimwear and related garment products.

The fair value of the identifiable assets and liabilities of Easy Time Group acquired as at its date of acquisition is as follows:

	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	511	3,729	4,240
Inventories	10,245	–	10,245
Trade and other receivables	16,054	–	16,054
Bank and cash balances	24,755	–	24,755
Trade and other payables	(15,855)	–	(15,855)
Employee benefit obligations	(4,923)	–	(4,923)
Current tax liabilities	(6,312)	–	(6,312)
Deferred tax liabilities	–	(308)	(308)
Net assets	24,475	3,421	27,896
Non-controlling interests			(279)
Goodwill			645,614
Total consideration			673,231

	HK$'000
Satisfied by:	
Fair value of convertible non-voting preference shares	485,333
Fair value of Consideration Shares to be issued	149,333
Fair value of promissory notes	38,565
	673,231
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	24,755

The goodwill arising on the acquisition of Easy Time is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Easy Time Group contributed profit of approximately HK$2,834,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the period would have been approximately HK$128,562,000, and loss for the period would have been approximately HK$259,634,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

(b) Charmston

On 30 June 2011, the Group acquired a 51% equity interest in Charmston at a consideration of approximately HK$42,500,000. The consideration was satisfied by the Company in the following manner:

– cash of approximately HK$12,500,000 upon signing of the sale and purchase agreement;

– cash of approximately HK$2,500,000 upon completion of the acquisition; and

– issuance of convertible bonds with principal amount of approximately HK$12,500,000 upon completion of the acquisition; and

– issuance of 53,956,835 ordinary shares of the Company at an issue price of HK$0.278 totalling approximately HK$15,000,000 at the date of acquisition.

Charmston was principal engaged in investment holding. Its subsidiaries were principally engaged in the trading and retail of apparel and related accessories under the brand name of "Tonino Lamborghini".

The fair value of the identifiable assets and liabilities of Charmston and its subsidiaries acquired as at its date of acquisition, which has no significant difference from the carrying amount, is as follows:

	HK$'000
Net assets acquired:	
Club debenture	205
Property, plant and equipment	2,907
Inventories	23,020
Trade and other receivables	31,730
Pledged bank deposits	6,241
Bank and cash balances	14,367
Trade and other payables	(32,315)
Borrowings	(18,226)
Finance lease payables	(286)
Current tax liabilities	(3,367)
Deposits received	(3,659)
Net assets	20,617
Non-controlling interests	(11,048)
Goodwill	30,108
Total consideration	39,677
Total consideration, satisfied by:	
Cash	15,000
Fair value of convertible loans	13,238
Fair value of ordinary shares	11,439
	39,677

The fair value of the 53,956,835 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the published share price of the Company's ordinary shares on the acquisition date.

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	(15,000)
Cash and cash equivalents acquired	14,367
	(633)

The goodwill arising on the acquisition of Charmston is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

If the acquisition had been completed on 1 January 2011, total Group turnover for the period would have been approximately HK$134,535,000, and loss for the period would have been approximately HK$267,840,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

16. Seasonality

The Group's sales of high-end swimwear and related garment products are subject to seasonal fluctuations, with peak demand in the first quarter of each year. This is due to high demand of swimwear and related garment products for the summer. The Group's other operations are not subject to material seasonal fluctuations.

17. Contingent liabilities

The Group did not have any significant contingent liabilities at 30 June 2011 (At 31 December 2010: Nil).

18. Capital commitments

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Contracted but not provided for:		
Purchases of office equipment	**236**	–

19. Events after the reporting period

(a) On 17 May 2011, the Company entered into a subscription agreement with SpringTree Special Opportunities Fund, LP (the "Investor") pursuant to which the Investor has agreed to pay an aggregate amount of up to approximately HK$165,000,000 to the Company in tranches and the Company has agreed to issue such number of shares at the subscription price up to the equivalent amount of approximately HK$165,000,000 to the Investor. The subscription agreement was approved by the shareholders on 28 July 2011.

(b) On 13 July 2011, Top Achiever Investments Limited ("Top Achiever"), a non-wholly owned subsidiary of the Company, entered into a license agreement with Gay Giano International Limited, Gay Giano Company Limited, Cour Carré Company Limited, Gay Giano World-Wide Limited, Due G Company Limited and Gay Giano Technology Limited (collectively, the "Licensor") pursuant to which the Licensor agreed to grant a sole and exclusive license to Top Achiever to use the trade marks, namely "Gay Giano", "Cour Carré" and "Due G" in apparel and other products in Hong Kong and the People's Republic of China for 20 years at a consideration of approximately HK$2,000,000. Top Achiever also took over nine of the existing fashion apparel retail shops in Hong Kong operated by the Licensor and acquired their existing inventories at a consideration of approximately HK$10,000,000.

20. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 12 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2011, the Group's unaudited total revenue amounted to approximately HK$73,186,000 (six months ended 30 June 2010: HK$43,540,000) representing an increase of approximately 68% increase over the corresponding period in last period. Gross profit was approximately HK$9,848,000 when compared with that of approximately HK$13,769,000 for same period in 2010. The loss attributable to owners of the Company was approximately HK$271,646,000 when compared with the profit attributable to owners of the Company of approximately HK$1,216,000 for the same period in 2010.

The loss attributable to owners was mainly attributable to the impairment of goodwill raising from acquisition of Easy Time Trading Limited of approximately HK$254,853,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had net current liabilities of approximately HK$49,361,000 (At 31 December 2010: net current assets of HK$90,910,000). The current assets comprised bank balances and cash of approximately HK$62,114,000, trade and other receivables of approximately HK$136,656,000. The current liabilities comprised trade and note payables, accrued charges and other payables of approximately HK$214,636,000.

As at 30 June 2011, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

As at 30 June 2011, the Group had total assets of approximately HK$781,340,000 of which bank and cash balances of approximately HK$62,114,000. The Group has a current ratio of approximately 0.83 comparing to that of 2.58 as at 31 December 2010. As at 30 June 2011, the gearing ratio of 44% was calculated by dividing total debt by total assets (as at 31 December 2010 was 24%).

Foreign Exchange Exposure

The business activities of the Group are not exposed to material fluctuations in exchange rate except the operation through its subsidiary in Shenzhen, PRC which is subject to fluctuation in exchange rates between Renminbi and Hong Kong dollars.

Capital Structure

During the period, there were two major transactions in the share capital structure. In March of 2011, 1,733,333,333 convertible preference shares (par value HK$0.15 each) of the Company were issued as consideration shares. In April of 2011, 380,000,000 convertible preference shares (par value HK$0.15 each) of the Company were converted into 380,000,000 ordinary shares (par value HK$0.05 each) of the Company. In addition, the Company issued 53,956,835 ordinary share as consideration shares at a price of HK$0.278 per share (par value HK$0.05 each) on 30 June 2011. As at 30 June 2011, the total number of issued ordinary shares increased to 2,472,012,654 (At 31 December 2010: 2,038,055,819) and total number of outstanding convertible preference shares increased to 1,733,333,333 (At 31 December 2010: nil).

Acquisition of subsidiaries

On 6 January 2011, the Company (the "Purchaser"), Big Good Management Limited (the "Vendor") entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Share, representing 100% of the entire issued share capital of Easy Time Trading Limited at the total consideration of HK$ 390,000,000. The completion took place on 31 March 2011.

On 1 April 2011, the Company, Synergy Chain Limited ("Synergy"), Datamax Limited and Capital Master Holdings Limited (the "Vendors") entered into the Sale and Purchase Agreement, pursuant to which Synergy conditionally agreed to acquire and the Vendors conditionally agreed to dispose of the Sale Share, representing 51% of the entire issued share capital of Charmston (Holdings) Limited at the total consideration of HK$ 42,500,000. The completion took place on 30 June 2011.

Employee Information

As at 30 June 2011, the Group employed approximately 856 staff (At 31 December 2010: 369). Total staff costs, including Directors' emoluments were approximately HK$16,676,000 for the six months ended 30 June 2011 as compared with those of approximately HK$3,242,000 for the same period in 2010.

The Group offers a comprehensive remuneration package and benefits to its full time employees in compliance with the regulations in Hong Kong and the PRC respectively, including medical scheme, provident fund or retirement fund. In addition, the Group adopts a share option scheme for eligible employees (including directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

OPERATIONS & BUSINESS STRATEGY

Following the successful acquisitions of Easy Time Trading Limited and Charmston Holdings Limited, the Company is gradually transformed and diversified itself into a garment and apparel retail focused group with both Internet and physical shops sales platforms. The Company undertook a very careful strategic review and consideration of all its existing businesses and together with the potential revenue and income contributions on both the swimwear trading business and apparel retails business, and which will become the key business drivers of the Company. The e-commerce business segment will fully assist and create synergy on the retailing, promotion and advertising for these business segments in the internet platform in both Hong Kong and China. While other non-core businesses will not be ruled out of being divested in an orderly manner whenever any possible opportunity shall arise in future.

The first half period of year 2011 was a challenging period for the Company because it had completed two very substantial acquisitions and the core business focus will be shifted to these two segments. Nonetheless, the Company believed that these two reported segments would gradually emerge its values to our shareholders in the second half of year 2011 by providing a steady income stream to the Group.

OUTLOOK & PROSPECTS

The Group will continuously strive for, with its best effort, creating value to its shareholders. It is the core business strategy for the Group to grow in both organic and inorganic ways. The Group will proactively utilize and mobilize its operating and financial resources to assist the expansion and growth for its swimwear business segment and apparel retails business segment. As such, the Company will always look for any potential business acquisitions or business cooperation with reputable apparel brands.

Despite the volatile economic conditions in the US and in some European countries, the economic and business environments in both Hong Kong and China will generally remain stable with steady growth especially in the retail sector. The economic growth driver will be weighted more on the domestic demand in China. In view of such robust economic growth, the Company, in the long run, will continue to formulate its operating strategy by considering to set up flagship retails outlets in the major cities in the China for its two apparel related business segments, especially for the high ended fashion market. The growth momentum in Hong Kong is undoubtedly benefited from the recent and future economic conditions in China. Hence, the Company is optimistic about the prospect of its e-commerce business and its apparel retails business in Hong Kong and China.

SUBSCRIPTION OF SHARES

On 17 May 2011, the Company entered into the Subscription Agreement with the SpringTree Special Opportunities Fund, LP ("SpringTree") pursuant to which SpringTree has agreed to pay an aggregate amount of up to HK$165 million to the Company in Tranches and the Company has agreed to issue such number of Shares at the Subscription Price up to the equivalent amount of HK$165 million to SpringTree.

TRADE MARKS LICENCE AGREEMENT

On 13 July 2011, Top Achiever Investments Limited ("Top Achiever"), a non-wholly owned subsidiary of the Company, entered into the Licence Agreement with the Licensor pursuant to which the Licensor agreed to grant a sole and exclusive license to Top Achiever to use the Trade Marks, namely "Gay Giano", "Cour Carré" and "Due G", in apparel and other products in Hong Kong and the PRC for 20 years.

DISCLOSURE OF INTERESTS

Interest in Securities of Directors and Chief Executive

As at 30 June 2011, the interests and short positions of the Directors in the shares ("Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the "SFO") which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Growth Enterprise Market Listing Rules of the Stock Exchange (the "GEM Listing Rules") relating to securities transaction by Directors, were as follows:

(i) Long positions in Shares

Name of Director	Number of Shares	Capacity	Nature of interest	Approximate percentage of issued share capital *(Note 1)*
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	606,400,000 *(Note 2)*	Interest of a controlled corporation	Corporate	24.53%

Notes:

1. The percentage of issued share capital had been arrived at on the basis of a total of 2,472,012,654 Shares in issue as at 30 June 2011.

2. These shares are held by JL Investments Capital Limited, which is wholly owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the shares held by JL Investments Capital Limited.

Save as disclosed above, as at 30 June 2011, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors.

(ii) Short positions in the Shares and underlying Shares of equity derivatives of the Company

As at 30 June 2011, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION

On 18 March 2008, the Company terminated share option scheme adopted by the Company on 29 April 2002 and the rules of the new share option scheme (the "New Share Option Scheme") be approved and adopted as the new share option scheme. For further details of these, please refer to the circular dated 29 February 2008.

The New Share Option Scheme is valid and effective for the period of ten years commencing on the date on which it was adopted. The purpose of the New Share Option Scheme is to provide incentives or rewards for contribution to eligible participants who have made or may make to the Group or any Invested Entity. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to any of the Participant. Participant means any Employees and any Directors (including executive, non-executive and independent non-executive Directors) of any member of the Group or any Invested Entity. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the New Share Option Scheme of the Company must not be exceed 30% of the shares in issue from time to time. The New Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

As a result of the Share Consolidation on 29 May 2009, the exercise price of the outstanding options was adjusted from HK$0.092 to HK$0.46 per share and the number shares falling to be issued upon exercise of the options was adjusted from 402,360,000 Shares to 80,472,000 shares. It was certified that the above adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules.

At 30 June 2011, the number of shares in respect of which options had been granted under the New Share Option Scheme was 26.824 million (six months ended 30 June 2010: 80.472 million), representing 1.08% (six months ended 30 June 2010: 4.33%) of the shares of the Company in issue. The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company is issue at any point of time, without prior approval from the Company's shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the Offer Date. Any options granted under the New Share Option Scheme shall end in any event not later than ten years from the Grant Date. A nominal value of HK$10.00 is payable on acceptance of each grant of options.

Details of the share options granted by the Company pursuant to the New Share Option Scheme and the options outstanding as at 30 June 2011 were as follows:

Grantees	Date granted	Balance as at 1 January 2011 *'000*	Granted during the period *'000*	Exercised during the period *'000*	Lapsed during the period *'000*	Balance as at 30 June 2011 *'000*	Period during which the options are exercisable	Exercise price per share
Employee	30 May 2008	13,412	–	–	–	13,412	30 May 2008 to 17 March 2017	HK$0.46
Consultants	30 May 2008	13,412	–	–	–	13,412	30 May 2008 to 17 March 2017	HK$0.46
		26,824	–	–	–	26,824		

Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 30 June 2011, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Long positions in Shares

Name of Shareholder	Number of Shares	Capacity	Approximate percentage of issued share capital *(%)* *(Note 1)*
JL Investments Capital Limited	606,400,000 *(Note 2)*	Corporate	24.53%
Lau Chi Yuen, Joseph	606,400,000	Individual	24.53%
Senrigan Capital Group Limited on behalf of Senrigan Master Fund	300,000,000 *(Note 3)*	Corporate	12.14%
Joint Fortune Group Limited	189,380,000	Corporate	7.66%

Notes:

1. See Note 1 on page 32.

2. See Note 2 on page 32.

3. These shares are held by Senrigan Capital Group Limited on behalf of Senrigan Master Fund.

Save as disclosed above, as at 30 June 2011, the Directors were not aware of any other person who had an interest or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

(ii) Long positions in the shares and underlying shares of equity derivatives of the Company

Name of Shareholder	Number of Shares	Nature of interest	Approximate percentage of issued share capital *(%)* *(Note 1)*
Mr. Ma Hoi Cheuk ("Mr. Ma")	1,353,333,333 *(Note 2)*	Interest of controlled corporation	54.74%

Notes:

1. See Note 1 on page 32.

2. Big Good Management Limited was the holder of 1,353,333,333 Convertible Preference Shares which has no voting rights and are convertible into ordinary Shares. Big Good Management Limited is wholly owned by Mr. Ma who is deemed to be interested in the underlying shares held by Big Good Management Limited.

As far as the Directors are aware, saved as disclosed herein, as at 30 June 2011, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

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

The Company had not redeemed any of its Shares during the period. Neither the Company nor any of its subsidiaries had purchased or sold any Shares during the period.

COMPETING INTERESTS

The Directors are not aware of, as at 30 June 2011, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The primary duties of the audit committee are (i) to review the annual reports and accounts, half-year reports and quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting process and internal controls. The audit committee comprises the three independent non-executive Directors of the Company.

The audit committee has reviewed the Group's unaudited results for the six months ended 30 June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance for the Company. During the period, the Company is in compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except provision A.4.1 of the CG Code as detailed below:

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. The current independent non-executive Directors are not appointed for specific terms, but are subject to retirement and re-election.

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for directors' securities transactions stated in the GEM Listing Rules. All the Directors have confirmed that they have complied with the requirements as set out in the GEM Listing Rules for the six months ended 30 June 2011.

By Order of the Board
China Post E-Commerce (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 12 August 2011