

T h e m e

Theme International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 990)

Interim Report 2010



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Business Review

On 28 October 2009, the Company completed the disposal of Theme International Holdings (BVI) Limited and its subsidiaries (the "Disposal Group"), which engaged in the business of manufacturing, retailing and trading of garments and uniform principally in the People's Republic of China (the "PRC"), Singapore, Hong Kong and Macau (the "Disposal"). Following the Disposal, the principal activity of the Group is retailing garments through the operation of retail outlets and department store counters in Taiwan.

Financial Review

Revenue, loss after taxation and loss per share of the Group for the six months ended 30 June 2010 and 2009 were summarized as follows:

	Revenue		Loss after taxation		Loss per share	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing Operations	52,104	38,154	(15,229)	(639)	HK(0.42) cent	HK(0.02) cent
Discontinued Operations (Note)	-	87,017	-	(41,033)	-	HK(1.14) cent
Total Operations	<u>52,104</u>	<u>125,171</u>	<u>(15,229)</u>	<u>(41,672)</u>	<u>HK(0.42) cent</u>	<u>HK(1.16) cent</u>

Note: The operations in the PRC, Singapore, Hong Kong and Macau were discontinued on 28 October 2009.

The Taiwan economy has yet to recover since the financial crisis in the second half of 2008. The Group has made effort in improving the revenue from the continuing operations by 36.6% to HK\$52.1 million for the six months ended 30 June 2010 from HK\$38.2 million for the corresponding period in 2009.

However, the high cost of sales has hurt the profit margin which has decreased to 48.3% for the six months ended 30 June 2010 from 60.3% in the corresponding period last year. Affected by the drop in gross profit margin and the increase of the selling and distribution expenses, the loss from continuing operations has significantly increased to HK\$5.2 million (excluding the share-based expense of approximately HK\$10 million) for the six months ended 30 June 2010 as compared with HK\$639,000 for the corresponding period in 2009.

Due to the grant of 200,000,000 share options to the directors, employees and other eligible participants in 2010 under the share option scheme of the Company, share-based compensation expense of approximately HK\$10 million was charged to profit and loss during the period under review which was accounted for under HKFRS2. With the inclusion of the share-based compensation expense, the Group recorded loss from continuing operations of HK\$15.2 million for the six months ended 30 June 2010.

The Group has disposed the discontinuing operations upon the completion of the Disposal on 28 October 2009. By disposing the loss making Disposal Group, the overall performance of the Group has improved compared with the corresponding period in 2009. The net loss of the Group for total operations improved from HK\$41.7 million for the corresponding period in 2009 to HK\$15.2 million for the six months ended 30 June 2010. The loss per share decreased from HK1.16 cent for the corresponding period in 2009 to HK0.42 cent for the six months ended 30 June 2010.

Charges on Assets

As at 30 June 2010, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2010, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2010, the Group's major assets and liabilities were denominated in the functional currencies of the respective group entities. The Group had no material exposure to foreign exchange fluctuation.

Liquidity and Financial Resources

As at 30 June 2010, the Group had no bank and other borrowings.

As at 30 June 2010, the current ratio was 3.7. Based on the current cash position, the Group should have sufficient liquidity to meet its operational needs.

The liquidity of the Group has significantly improved after the completion of the new shares placement in June 2010. The Company entered into a subscription agreement with Sonic Way Limited on 18 June 2010 in relation to the subscription (the "Subscription") of 70,000,000 shares (the "Subscription Shares") of HK\$0.0025 each in the share capital of the Company at HK\$1.00 per Subscription Share. The Subscription was completed on 25 June 2010. The net proceeds raised from the Subscription is (i) for repayment of the Company's borrowings and payables (including an interest-free shareholder's loan of HK\$10 million to the Company on 5 January 2010); and (ii) for general working capital and future strategic investments of the Group.

Capital Expenditure

There was no material capital expenditure during the period. As at 30 June 2010, the Group has no material capital expenditure commitments.

Human Resources

As at 30 June 2010, the Group had 9 employees in Hong Kong and 122 employees in Taiwan. Other than the competitive remuneration package offered to the employees, share options may also be granted to the selected employees based on the Group's performance. Details of the share options being granted and outstanding under the share option scheme are set out in the section "Share Option Scheme" on pages 27 to 28.

Future Prospects

The Group will continue its principal business of retailing of garments in Taiwan and will strive to improve its performance. However, due to challenges from recovery of global economy, the management of the Company believes that the outlook for the retailing business in Taiwan in 2010 will remain dim. The board of directors of the Company (the "Board") and the management of the Company believe that in order to achieve sustainable financial growth for the Group and to maximize shareholders' value, it is in the best interests of the Company to explore business opportunities in other industries.

As mentioned in the annual report of the Company for the year 2009, the Group will leverage on the network and experience of the management of the Company to look for more business opportunities to be brought to the Group and may consider diversifying the business of the Group with an objective to broaden its income source and to enhance the long-term growth potential of the Group. The management of the Company has conducted a detailed review on the business operations and financial position of the Group. The management of the Company and the Board noted that the financial performance of resources related investments had remained relatively healthy amidst the global financial tsunami. Further, with the experience of the management of the Company in the field of energy and resources, the Board considers that it is in the best interests of the Company and its shareholders to diversify the business of the Group into resources related investments. In view of the continued demand in steel and economic growth in the PRC, the Group has entered into a memorandum of understanding on 9 July 2010 in relation to the proposed acquisition (the "Proposed Acquisition") of Qinglong Manzu Autonomous County Shan Lan Zhang Zi Iron Ore Mine. The management of the Company is now carrying out preliminary due diligence review and assessing the risks and returns of the Proposed Acquisition. Up to the date of this report, no definitive terms have been agreed and no legally binding agreement has been entered into in relation to the Proposed Acquisition. Apart from the Proposed Acquisition, the Company will continue to look for more business and investment opportunities, including but not limited to the field of energy and resources.

By order of the Board of Directors

Wong Lik Ping

Chairman

Hong Kong, 12 August 2010

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF THEME INTERNATIONAL HOLDINGS LIMITED

榮暉國際集團有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 8 to 24 which comprises the condensed consolidated statement of financial position of Theme International Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Report on Review of Interim Financial Information

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

12 August 2010

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	52,104	38,154
Cost of sales		(26,935)	(15,150)
Gross profit		25,169	23,004
Other income		170	71
Selling and distribution expenses		(22,981)	(17,521)
Administrative expenses		(7,618)	(4,342)
Share-based compensation expense	4	(9,969)	–
Finance costs	5	–	(6)
(Loss) profit before taxation		(15,229)	1,206
Tax charge	6	–	(1,845)
Loss for the period from continuing operations	7	(15,229)	(639)
Discontinued operations			
Loss for the period from discontinued operations	8	–	(41,033)
Loss for the period attributable to owners of the Company		(15,229)	(41,672)

Condensed Consolidated Financial Statements

	Notes	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited) (restated)
Other comprehensive income (expense)			
Exchange differences arising			
on translating foreign operations		(3)	111
Loss on fair value changes on cash flow hedges		–	(935)
Reclassification adjustments to profit			
or loss for cash flow hedges		–	(246)
		<hr/>	<hr/>
Other comprehensive expense		(3)	(1,070)
for the period		<hr/>	<hr/>
Total comprehensive expense for the period		(15,232)	(42,742)
			<hr/>
			(restated)
Loss per share	9		
From continuing and discontinued operations			
Basic		HK(0.42) cent	HK(1.16) cent
		<hr/>	<hr/>
From continuing operations			
Basic		HK(0.42) cent	HK(0.02) cent
		<hr/>	<hr/>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	<u>1,906</u>	<u>1,911</u>
Current assets			
Inventories		7,942	12,626
Trade receivables	12	6,971	7,539
Deposits, prepayments and other receivables		16,129	4,738
Bank balances and cash		<u>72,394</u>	<u>16,887</u>
		<u>103,436</u>	<u>41,790</u>
Current liabilities			
Trade payables	13	2,243	4,157
Other payables and accrued charges		25,643	26,821
Dividend payable		<u>7</u>	<u>11</u>
		<u>27,893</u>	<u>30,989</u>
Net current assets		<u>75,543</u>	<u>10,801</u>
Net assets		<u>77,449</u>	<u>12,712</u>
Capital and reserves			
Share capital	14	9,140	8,965
Reserves		<u>68,309</u>	<u>3,747</u>
Total equity		<u>77,449</u>	<u>12,712</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company							(Accumulated losses/retained earnings)	Total
	Share capital	Share premium	Contributed surplus	Shareholder's contribution	Share-based compensation reserve	Translation reserve	Hedging reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (audited)	8,965	139,251	34,503	45,000	-	(1,185)	2,297	(51,384)	177,447
Loss for the period	-	-	-	-	-	-	-	(41,672)	(41,672)
Exchange differences arising on translating foreign operations	-	-	-	-	-	111	-	-	111
Loss on fair value changes on cash flow hedges	-	-	-	-	-	-	(935)	-	(935)
Reclassification adjustments to profit or loss	-	-	-	-	-	-	(246)	-	(246)
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111</u>	<u>(1,181)</u>	<u>(41,672)</u>	<u>(42,742)</u>
At 30 June 2009 (unaudited)	<u>8,965</u>	<u>139,251</u>	<u>34,503</u>	<u>45,000</u>	<u>-</u>	<u>(1,074)</u>	<u>1,116</u>	<u>(93,056)</u>	<u>134,705</u>
At 1 January 2010 (audited)	8,965	-	-	-	-	(6,407)	-	10,154	12,712
Loss for the period	-	-	-	-	-	-	-	(15,229)	(15,229)
Exchange differences arising on translating foreign operations	-	-	-	-	-	(3)	-	-	(3)
Total comprehensive expense for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(15,229)</u>	<u>(15,232)</u>
Share-based compensation (note 4)	-	-	-	-	9,969	-	-	-	9,969
Placing of shares (note 14)	175	69,825	-	-	-	-	-	-	70,000
At 30 June 2010 (unaudited)	<u>9,140</u>	<u>69,825</u>	<u>-</u>	<u>-</u>	<u>9,969</u>	<u>(6,410)</u>	<u>-</u>	<u>(5,075)</u>	<u>77,449</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(13,895)	35,794
Net cash used in investing activities	(595)	(17,995)
Net cash from (used in) financing activities	70,000	<u>(1,397)</u>
Net increase in cash and cash equivalents	55,510	16,402
Cash and cash equivalents at the beginning of the period	16,887	25,057
Effect of foreign exchange rate changes	(3)	<u>111</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>72,394</u>	<u>41,570</u>

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. Basis of Preparation

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

The unaudited condensed consolidated financial statements have been reviewed by our auditors in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at their fair values.

The unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies used in the annual financial statements of the Company for the year ended 31 December 2009. In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA which are effective for the Group’s financial period beginning on 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners

Condensed Consolidated Financial Statements

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 32 (Amendment)	Classification of Rights Issues ¹
HKFRSs(Amendments)	Improvements to HKFRSs 2010 ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters ³
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments ³
HK(IFRIC)-INT 14 (Amendment)	Prepayment of a Minimum Funding Requirement ⁴
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKFRS 9	Financial Instruments ⁵

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue and Segment Information

Revenue represents the amounts received and receivable for goods by the Group to outsider customers, less discounts and sales related tax, from continuing operations for the period.

The chief operating decision maker of the Company is the board of directors of the Company. Pursuant to the new appointment of the chief operating decision maker on 28 October 2009, internal reports reviewed by the newly appointed decision maker are no longer analysed by geographical segments. The internal report present only one operating segment, which is the retailing business, to the decision maker for the purpose of allocating resources and assessing performances.

The segment revenue derived from the continuing operations of HK\$52,104,000 (2009: HK\$38,154,000) and segment result derived from the continuing operations has the loss before taxation of HK\$351,000 (2009: profit before taxation of HK\$2,828,000) (excluding corporate administrative expenses incurred by the Company of HK\$14,878,000 (2009: HK\$1,622,000)).

The segment revenue and segment result derived from the discontinued operations for the period ended 30 June 2009 is HK\$87,017,000 and loss before taxation of HK\$40,387,000 respectively.

4. Share-based compensation expense

The Group has no outstanding options at the beginning of the period.

On 15 April 2010, the Company granted 180,000,000 share options to certain of its directors, employees and other eligible participants at the exercise price of HK\$1.70 per share with 2 years vesting period. The closing share price at date of grant on 15 April 2010 was HK\$1.63.

On 21 June 2010, the Company granted 20,000,000 share options to a director at the exercise price of HK\$1.70 per share with 2 years vesting period. The closing share price at date of grant on 21 June 2010 was HK\$1.17.

The fair values of the share options granted in 2010 were determined using the Black-Scholes Option Pricing Model. Significant inputs into the calculation included expected volatilities ranging from 38.74% to 49.43%, estimated weighted average expected life of 3 years, risk-free interest rates ranging from 0.95% to 2.02% and dividend yield of 0%.

The fair values of the share options granted in 2010, measured at the date of grant, were approximately HK\$99,297,300. As the options vest after two years from the dates of grant, the amounts are recognised as share-based compensation in profit or loss over 2 years from the date of grant. An amount of HK\$9,969,388 has been charged as share-based compensation expense to profit or loss during the period (2009: Nil). The corresponding amount has been credited in share-based compensation reserve.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Condensed Consolidated Financial Statements

5. Finance Costs

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest on bank loans and other borrowings wholly repayable within five years	—	6

6. Tax Charge

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax	—	—
Deferred tax	—	(1,845)
	—	(1,845)

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries have no assessable profit arising in Hong Kong. The Hong Kong corporate profits tax rate was 16.5%.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions. On 28 April 2010, the Taiwan legislature voted to amend the Income Tax Act to lower the corporate income tax rate from 20% to 17%. The corporate tax cut is effective retroactively as from 1 January 2010.

Condensed Consolidated Financial Statements

7. Loss for the Period

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Loss for the period has been arrived at after charging (crediting):		
Allowance (write back) for obsolete inventories	1,586	(843)
Depreciation of property, plant and equipment	600	1,103
Operating lease rentals in respect of rented premises	3,989	3,109
Contingent rents (note a)	7,632	5,747
Directors' emoluments (note b)	3,881	180
Other staff costs (note c)	9,703	5,738

Notes:

- (a) The contingent rents are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified levels.
- (b) Directors' emoluments include fees, remuneration, retirement benefits scheme contributions and share-based compensation expense.
- (c) Other staff costs include salaries, allowances, retirement benefits scheme contributions and share-based compensation expense.

Condensed Consolidated Financial Statements

8. Discontinued Operations

The results of discontinued operations for the six months ended 30 June 2009, which have included in the condensed consolidated statement of comprehensive income, were as follows:

	HK\$'000 (unaudited)
Revenue	87,017
Cost of sales	(43,475)
Other income	1,675
Selling and distribution expenses	(41,080)
Administrative expenses	(22,727)
Allowance for amount due from a jointly controlled entity	(11,313)
Impairment loss on property, plant and equipment	(10,460)
Finance costs	<u>(24)</u>
Loss before taxation	(40,387)
Tax charge	<u>(646)</u>
Loss for the period from discontinued operations	<u>(41,033)</u>

Loss for the period from discontinued operations included the following:

	HK\$'000 (unaudited)
Write back of allowance for obsolete inventories	(670)
Allowance for bad and doubtful debts	94
Depreciation of property, plant and equipment	7,372
Amortisation of prepaid lease payments	284
Operating lease rentals in respect of rented premises	11,686
Contingent rents	6,234
Loss on disposal of property, plant and equipment	25
Staff costs (including salaries, allowances and retirement benefits scheme contributions)	<u>17,715</u>

During the period ended 30 June 2009, the Disposal Group contributed approximately HK\$39 million to the Group's net operating cash flows, paid HK\$18 million in respect of investing activities and paid HK\$6 million in respect of financing activities.

Condensed Consolidated Financial Statements

9. Loss per Share

The calculation of basic loss per share attributable to the owners of the Company for continuing and discontinued operations is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company		
From continuing operations	(15,229)	(639)
From discontinued operations	<u> –</u>	<u>(41,033)</u>
From continued and discontinued operations	<u>(15,229)</u>	<u>(41,672)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,588,153</u>	<u>3,585,820</u>

The calculation of basic loss per share attributable to the owners of the Company for both periods have been adjusted as a result of the Company's share subdivision in December 2009 as appropriate.

Basic loss per share from the discontinued operations is HK1.14 cent per share in 2009, based on the loss for the period in 2009 from the discontinued operations of HK\$41,033,000 and the denominators detailed above for basic loss per share.

No diluted loss per share for the six months ended 30 June 2010 and 2009 has been presented as the Company had no potential shares outstanding during the periods under review. No share was available for issue under the Share Option Scheme as at 30 June 2010 and 2009. The earliest date for the exercise of the granted share options is 15 April 2012.

10. Interim Dividend

No dividends were paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend (2009: Nil).

Condensed Consolidated Financial Statements

11. Movements in Property, Plant and Equipment

During the period, additions to the Group's property, plant and equipment amounted to HK\$595,000 (2009: HK\$5,669,000).

12. Trade Receivables

The Group allows credit periods of 90 days to most of its trade customers.

The aging analysis of trade receivables, net of allowance for bad and doubtful debts, presented based on the invoice date at the end of the reporting period is stated as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Within 90 days	6,971	7,527
91 to 180 days	–	12
	<u>6,971</u>	<u>7,539</u>

13. Trade Payables

The following is an aging analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Within 90 days	<u>2,243</u>	<u>4,157</u>

Condensed Consolidated Financial Statements

14. Share Capital

	Number of shares		Amount	
	30 June 2010 '000	31 December 2009 '000	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Authorised:				
At the beginning of the period/year	200,000,000	50,000,000	500,000	500,000
Share subdivision (note a)	<u> -</u>	<u>150,000,000</u>	<u> -</u>	<u> -</u>
At the end of the period/year	<u>200,000,000</u>	<u>200,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At the beginning of the period/year	3,585,820	896,455	8,965	8,965
Share subdivision (note a)	<u> -</u>	<u>2,689,365</u>	<u> -</u>	<u> -</u>
Placing of shares (note b)	<u>70,000</u>	<u> -</u>	<u>175</u>	<u> -</u>
At the end of the period/year	<u>3,655,820</u>	<u>3,585,820</u>	<u>9,140</u>	<u>8,965</u>

Notes:

- (a) Pursuant to the shareholders' approval at the special general meeting on 29 December 2009, each of the then-existing issued and unissued shares of HK\$0.01 each in the share capital of the Company was subdivided into four subdivided shares of HK\$0.0025 each ("Subdivided Share"). Immediately upon the share subdivision becoming effective, the authorised share capital of the Company became HK\$500,000,000 divided into 200,000,000,000 Subdivided Shares, of which 3,585,819,836 Subdivided Shares were in issue and fully paid.
- (b) On 18 June 2010, the Company entered into a subscription agreement with Sonic Way Limited ("Sonic Way"), pursuant to which Sonic Way has agreed to subscribe and the Company has agreed to allot and issue 70,000,000 shares of HK\$0.0025 each in the share capital of the Company at the subscription price of HK\$1.00 each. On 25 June 2010, the Company issued and allotted 70,000,000 shares to Sonic Way under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3 June 2010.

15. Derivative Financial Instruments

The aggregate notional amount of the outstanding forward contracts at 1 January 2009 was HK\$50 million of selling HK\$ for RMB at exchange rates ranging from 0.9184 to 0.9384 with maturity periods up to 16 months from the dates of entering into the respective contracts.

During the period ended 30 June 2009, certain forward contracts were matured and early terminated. Accordingly, HK\$246,000 has been reclassified from the hedging reserve to profit or loss upon the occurrence of the hedged sales and loss from fair value changes on the forward contracts of HK\$935,000 has been deferred in the hedging reserve.

After the completion of the Disposal on 28 October 2009, the Group did not have derivative financial instruments.

16. Related Party Transactions

Except as disclosed elsewhere in the condensed consolidated financial statements, the following transactions for the period ended 30 June 2010 and 2009 were carried out with the related parties.

- (i) The total emoluments payable to key management personnel during the period ended 30 June 2010 and 2009 were HK\$2,968,000 and HK\$1,763,000 respectively.
- (ii) Mr. Wong Lik Ping, the shareholder and sole director of Golden Bright Energy Limited (substantial shareholder of the Company), has provided the Company an interest-free loan of HK\$10 million for general working capital on 5 January 2010. The Company has repaid the shareholder loan in June 2010.
- (iii) During the six months ended 30 June 2009, subcontracting fee income of HK\$13,492,000 was received from fellow subsidiaries. During the six months ended 30 June 2010, the Group has not received any subcontracting fee income from any fellow subsidiary.
- (iv) During the six months ended 30 June 2009, High Fashion International Limited ("High Fashion") had given guarantees to banks to secure the general banking facilities granted to Theme International Limited ("TIL"), a subsidiary of the Company. After disposing the discontinued operations (including TIL) on 28 October 2009, no guarantee was given by High Fashion to the Company or its subsidiaries.

17. Events after the End of the Interim Period

On 9 July 2010, Harvest Wealthy International Limited, a wholly owned subsidiary of the Company has entered into a non-legally binding memorandum of undertaking (“MOU”) with Mr. Bi Shengyou and Ms. Zhang Cuiyun in relation to the proposed acquisition (the “Proposed Acquisition”) of Qinglong Manzu Autonomous County Ansheng Mining Company Limited (“Target Company”) which is established under the law of the People’s Republic of China with limited liability. The Target Company operates the Qinglong Manzu Autonomous County Shan Lan Zhang Zi Iron Ore Mine (“Target Mine”) and is principally engaged in iron ore exploration and exploitation. Details of the Proposed Acquisition are set out in the announcement of the Company dated 9 July 2010.

Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the “Code”) of the Listing Rules throughout the period for the six months ended 30 June 2010, except for the following deviation.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. During the period under review, from 1 January 2010 to 20 June 2010, the Company had no officer with the title of CEO and the role of CEO is temporarily handled by the Chairman. On 21 June 2010, the Company has appointed Mr. Cheung Wing Hong, Shannon as the CEO of the Company. Accordingly, the Company has separate individuals occupying these two offices.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months ended 30 June 2010.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the six months ended 30 June 2010, the Company had not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities during the six months ended 30 June 2010.

Review of Account

The audit committee of the Company has reviewed the Group’s unaudited condensed consolidated financial information and interim report for the six months ended 30 June 2010.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, the long positions and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been 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 long positions and short positions which any such director and chief executive was taken or deemed to have under such provisions of the SFO), the model code for securities transactions by directors of listed issuers (the "Model Code") contained in the Listing Rules and which have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, were as follows:

(i) Long Positions in the Company's Shares

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Wong Lik Ping	Interests of a controlled corporation (Note)	2,269,112,096	62.07%

Note: 2,269,112,096 ordinary shares are held by Golden Bright Energy Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Wong Lik Ping. Mr. Wong Lik Ping is the sole director of Golden Bright Energy Limited.

(ii) Options to subscribe for ordinary shares (HK\$0.0025 each) of the Company:

The directors have been granted unlisted options under the Company's share option scheme, details of which are set out in the section "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2010, the directors, chief executives of the Company nor their associates had or was deemed to have any long positions or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Substantial Shareholder

Save as disclosed in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures”, as at 30 June 2010, no person had an interest in the shares or short position and underlying shares of the Company which fall to be disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO.

Share Option Scheme

At the special general meeting of the Company held on 29 December 2009, the equity holders of the Company approved the adoption of a new option scheme (the “Scheme”) to give the directors the power to implement and administer the Scheme with effect from the date of passing of the resolution. The Scheme was designed to reward and provide incentives to, and strengthen the Group’s business relationship with the prescribed classes of participants, including but not limited to eligible employees and directors of any member of the Group, who contributed to the development of the Group. The Scheme is enforceable for a period of 10 years ending 28 December 2019, after which no further options are to be granted.

At 30 June 2010, the option holders of the Company had the following interest in unlisted options to subscribe for shares of the Company granted under the Scheme. The vesting period of the options is two years from the date of grant and the options are then exercisable within a period of the following eight years. Each option gives the option holder the right to subscribe for one ordinary share of HK\$0.0025 each. A total of 200,000,000 options were granted during the period ended 30 June 2010(2009: nil.). Save as disclosed, no outstanding options were exercised, cancelled or lapsed under the Scheme during the period.

Other Information

Directors	No. of share options granted during the period	No. of shares options exercised during the period	No. of Share options outstanding at the end of period	Grant date	Exercise Period	Exercise Price
Mr. Wong Lik Ping	3,000,000	–	3,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Mr. Cheung Wing Hong, Shannon	20,000,000	–	20,000,000	21 June 2010	21 June 2012- 20 June 2020	HK\$1.7
Mr. Ma Chi Shing	13,000,000 (Note)	–	13,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Mr. Huang Bin	3,000,000	–	3,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Mr. Qiao Weibing	3,000,000	–	3,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Mr. Kee Wah Sze	3,000,000	–	3,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Mr. Chan Pat Lam	3,000,000	–	3,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Mr. To Yan Ming, Edmond	3,000,000	–	3,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Sub-total	51,000,000	–	51,000,000			
Other Employees	27,000,000	–	27,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Others	122,000,000	–	122,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.7
Total	200,000,000	–	200,000,000			

Note: 10,000,000 share options were granted to Mr. Ma Chi Shing and 3,000,000 share options were granted to his spouse.

Apart from the Scheme, during the six months ended 30 June 2010, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

DIRECTORS

Executive Directors

Mr. Wong Lik Ping (*Chairman*)

Mr. Cheung Wing Hong,

Shannon (*Chief Executive Officer*)

(appointed on 21 June 2010)

Mr. Ma Chi Shing

Mr. Huang Bin

(redesignated from Executive Director to
Non-executive Director on 30 April 2010)

Non-executive Directors

Mr. Huang Bin

(redesignated from Executive Director to
Non-executive Director on 30 April 2010)

Mr. Qiao Weibing

Independent Non-executive Directors

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Mr. To Yan Ming, Edmond

Audit Committee

Mr. To Yan Ming, Edmond (*Chairman*)

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Remuneration Committee

Mr. To Yan Ming, Edmond (*Chairman*)

Mr. Kee Wah Sze

Mr. Chan Pat Lam

Company Secretary

Ms. Ho Pui San, Jenny

(appointed on 30 April 2010)

Mr. Ma Chi Shing

(resigned on 30 April 2010)

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Tsun & Partners

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

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Wanchai

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PRINCIPAL BANKERS

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The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

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Bermuda

SUB-REGISTRAR & TRANSFER AGENT IN HONG KONG

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