



正興集團

CHING HING GROUP

CHING HING (HOLDINGS) LIMITED

Stock Code : 692

2010

Interim Report



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



13F Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

To the board of directors of Ching Hing (Holdings) Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements of Ching Hing (Holdings) Limited and its subsidiaries set out on pages 2 to 25, which comprise the condensed consolidated statement of financial position as at 30 June 2010 and the related condensed consolidated income statement and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The 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 34 "Interim Financial Reporting" ("HKSA 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made 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 statements 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.

Conclusion

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

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
27 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	143,976	145,818
Cost of sales		(131,161)	(128,102)
Gross profit		12,815	17,716
Other income		8,814	1,727
Fair value loss on investment properties		(657)	—
Distribution costs		(7,319)	(7,100)
Administrative expenses		(7,522)	(7,688)
Other operating expenses		(1,858)	(1,451)
Finance costs		(40,501)	(1,749)
(Loss)/profit before tax	5	(36,228)	1,455
Income tax expense	6	(649)	(1,143)
(Loss)/profit for the period from continuing operation		(36,877)	312
Discontinued operation			
Loss for the period from discontinued operation	7	(991)	—
(Loss)/profit for the period		(37,868)	312
Attributable to:			
Owners of the Company		(39,283)	(2,197)
Non-controlling interests		1,415	2,509
(Loss)/profit for the period		(37,868)	312
Dividend	8	—	—
Loss per share attributable to ordinary equity holders of the Company	9		
Basic			
— For loss for the period		(0.71 cent)	(0.11 cent)
— For loss from continuing operations		(0.69 cent)	(0.11 cent)
Diluted			
— For loss for the period		(0.71 cent)	(0.11 cent)
— For loss from continuing operations		(0.69 cent)	(0.11 cent)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
(Loss)/profit for the period	(37,868)	312
Other comprehensive income:		
Exchange difference on translation of foreign operations	756	98
Total comprehensive income for the period, net of tax	(37,112)	410
Total comprehensive income attributable to:		
Owners of the Company	(38,527)	(2,099)
Non-controlling interests	1,415	2,509
	(37,112)	410

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		2,472	2,370
Investment properties		50,822	58,720
Exploration and evaluation assets	10	1,698,104	—
Available-for-sale financial investment		590	590
		1,751,988	61,680
Current assets			
Trade and bills receivables	11	17,568	14,780
Other receivables, prepayments and deposits		7,483	1,357
Pledged bank deposits		14,859	15,866
Cash and bank balances		38,261	27,531
		78,171	59,534
Assets classified as held for sale	7	10,492	11,383
		88,663	70,917
Current liabilities			
Bank overdrafts, secured		1,909	4,199
Interest-bearing bank borrowings, secured		6,210	14,588
Trust receipt loans, secured		8,608	6,738
Trade and bills payables	12	31,500	19,440
Other payables and accruals		32,314	11,169
Due to directors		5,280	4,200
Due to a shareholder		6,013	6,013
Due to a related company		779	779
Finance lease payables	13	346	281
Tax payable		3,768	3,176
		96,727	70,583
Net current (liabilities)/assets		(8,064)	334
Total assets less current liabilities		1,743,924	62,014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2010

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	14	859,242	—
Due to a related company		7,315	7,698
Finance lease payables	13	384	382
		866,941	8,080
Net assets		876,983	53,934
Equity			
Equity attributable to owners of the Company			
Issued capital	15	130,024	19,217
Reserves		739,634	29,949
		869,658	49,166
Non-controlling interests		7,325	4,768
Total equity		876,983	53,934

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to equity holders of the Company											
	Issued capital	Share premium	Convertible equity reserves	Property revaluation reserves	Statutory surplus reserves	Employee share-based reserves	Capital reserves	Exchange reserves	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1 January 2009	19,217	71,148		35,275	7,611	791	52,694	11,327	(137,083)	60,980	3,631	64,611
Total comprehensive income for the period	—	—	—	—	—	—	—	98	(2,197)	(2,099)	2,509	410
Equity settled share option arrangements	—	—	—	—	—	472	—	—	—	472	—	472
At 30 June 2009	19,217	71,148		35,275	7,611	1,263	52,694	11,425	(139,280)	59,353	6,140	65,493
At 1 January 2010	19,217	71,148	—	35,275	7,611	1,736	52,694	11,667	(150,182)	49,166	4,768	53,934
Total comprehensive income for the period	—	—	—	—	—	—	—	756	(39,283)	(38,527)	1,415	(37,112)
Issue of convertible bonds	—	—	515,501	—	—	—	—	—	—	515,501	—	515,501
Issue of shares upon conversion of convertible bonds	110,727	381,702	(149,495)	—	—	—	—	—	—	342,934	—	342,934
Issue of shares upon exercise of equity settled share option	80	32	—	—	—	—	—	—	—	112	—	112
Disposal of investment properties	—	—	—	(539)	—	—	—	—	539	—	—	—
Minority interest in relation to acquisition of subsidiary	—	—	—	—	—	—	—	—	—	—	1,142	1,142
Equity settled share option arrangements	—	—	—	—	—	472	—	—	—	472	—	472
At 30 June 2010	130,024	452,882	366,006	34,736	7,611	2,208	52,694	12,423	(188,926)	869,658	7,325	876,983

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Net cash inflow from operating activities	3,046	13,041
Net cash inflow from investing activities	15,592	3,886
Net cash outflow from financing activities	(7,501)	(2,229)
Net increase in cash and cash equivalents	11,137	14,698
Cash and cash equivalents at the beginning of the period	16,594	2,763
Effect of foreign exchange rate changes	13	—
Cash and cash equivalents at the end of the period	27,744	17,461
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	38,261	28,826
Bank overdrafts, secured	(1,909)	(3,116)
Trust receipt loans repayable within three months	(8,608)	(8,249)
	27,744	17,461

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

Ching Hing (Holdings) Limited (the "Company") and its subsidiaries (the "Group") are principally engaged in the sale of fabrics and sale of garments and other related accessories in Hong Kong, the United States and the Peoples' Republic of China (the "PRC") during the period. During the period, the Group has diversified its principal activities into mining exploitation in the PRC through the newly acquired subsidiaries.

The Company is a limited liability company incorporated in Bermuda and its registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is located at Room 3807, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010 (the "Unaudited Condensed Consolidated Interim Financial Statements") have been approved for issue by the Board of Directors on 27 August 2010.

2.1 Basis of preparation and significant accounting policies

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2009 (the "2009 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of presentation

Despite the fact that the Group incurred a loss for the period attributable to owners of the Company of approximately HK\$39 million (six months ended 30 June 2009: HK\$2 million) and the Group had net current liabilities of approximately HK\$8 million (31 December 2009: net current assets of approximately HK\$334,000), the interim financial statements have been prepared on the basis that the Group will continue to operate as a going concern because, subsequent to 30 June 2010, the Company has entered into a placing agreement for the placement of 2,057,767,649 ordinary shares of HK\$0.01 each at a placing price of HK\$0.01 per share on 9 August 2010. The share placement has been completed on 16 August 2010 and a net proceed of approximately HK\$19.8 million has been received by the Company. In addition, the Group is not obliged to provide fundings for the development of the mine within the next twelve months from 30 June 2010.

2.2 Changes in accounting policies and disclosures

Other than the accounting policies for exploration and evaluation assets and convertible bonds, and the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations as noted below, the accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2009.

Exploration for and evaluation of mineral resources

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation assets are transferred to either mining rights under intangible assets or property plant and equipment and are amortised or depreciated based on the accounting policy as stated in “Mining rights” or “property, plant and equipment”, respectively. Amortisation or depreciation is not charged on costs in respect of areas of interest in the development phase until production. Amortisation or depreciation will be charged over the mine’s estimated life using the units of production method calculated on the basis of proven and probable reserves. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

New and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s interim report. The adoption of these new and revised HKFRSs did not have any significant effect on to the financial position or performance of the Group.

2.2 Changes in accounting policies and disclosures (Continued)

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs issued in May 2009	Amendments to a number of HKFRSs

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs that have been issued but not yet effective, in these financial statements.

HKFRS 9	Financial Instruments ⁴
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

In May 2010, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 while the amendments to HKFRS 3 are effective for annual periods beginning on or after 1 July 2010 although there are separate transitional provisions for each standard or interpretation.

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

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the sales of fabrics and sale of garments and other related accessories.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue		
Sales of fabrics	28,534	27,255
Sales of garments and accessories	115,442	118,563
Attributable to continuing operations reported in condensed consolidated income statement	143,976	145,818
Other income and gains		
Continuing operations		
Commission income	892	—
Impairment losses written back	409	1,401
Interest income	33	233
Gain on disposal of property, plant and equipment	20	—
Gain on disposal of investment properties	6,899	—
Others	561	93
Discontinued operation	8,814	1,727
	—	—
	8,814	1,727
Total revenue, other income and gains	152,790	147,545

4. Segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Continuing operations

Sales of fabrics segment — sales of fabrics

Sales of garments and accessories segment — sales of garments and other related accessories

Mine exploitation segment — mine exploitation

Discontinued operation in prior year

Fabric processing segment — provision of fabric processing services

4. Segment information (Continued)

	Continuing operations			Discontinued operation		Total HK\$'000 (Unaudited)
	Sales of fabrics	Sales of garments and accessories	Mine exploitation	Subtotal	Fabric processing	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
Six months ended 30 June 2010						
Segment revenue						
Sales to external customers	28,534	115,442	—	143,976	—	143,976
Segment results	(4,906)	5,251	(326)	19	(991)	(972)
Reconciliation:						
Interest income and unallocated gains				6,899	—	6,899
Corporate and other unallocated expenses				(3,454)	—	(3,454)
Finance cost				(39,692)	—	(39,692)
Loss before tax				(36,228)	(991)	(37,219)
At 30 June 2010						
Segment assets	25,409	46,707	1,703,651	1,775,767	10,492	1,786,259
Reconciliation:						
Unallocated assets				54,392	—	54,392
Total assets				1,830,159	10,492	1,840,651
Segment liabilities	35,631	30,218	882,126	947,975	—	947,975
Reconciliation:						
Unallocated liabilities				15,693	—	15,693
Total liabilities				963,668	—	963,668
Six months ended 30 June 2010						
Other segment information						
Capital expenditure	239	15	—	254	—	254
Reconciliation:						
Unallocated capital expenditure				388	—	388
				642	—	642
Depreciation and amortisation	341	150	1	492	—	492
Reconciliation:						
Unallocated depreciation and amortisation				9	—	9
				501	—	501
Impairment loss recognised:						
Trade and bills receivables	191	—	—	191	—	191
Other receivables	264	—	—	264	—	264
Write back of impairment loss of trade and bills receivables	(409)	—	—	(409)	—	(409)
Write off of trade and bills receivables	544	—	—	544	—	544
Reconciliation:						
Unallocated write off of trade and bills receivables				134	—	134
				678	—	678

4. Segment information (Continued)

	Continuing operations		Discontinued operation		Total HK\$'000 (Unaudited)
	Sales of fabrics HK\$'000 (Unaudited)	Sales of garments and accessories HK\$'000 (Unaudited)	Subtotal HK\$'000 (Unaudited)	Fabric processing HK\$'000 (Unaudited)	
Six months ended 30 June 2009					
Segment revenue					
Sales to external customers	27,255	118,563	145,818	—	145,818
Segment results	(3,460)	7,134	3,674	—	3,674
Reconciliation:					
Corporate and other unallocated expenses			(2,217)	—	(2,217)
Finance costs			(2)	—	(2)
Profit before tax			1,455	—	1,455
At 31 December 2009					
Segment assets					
Reconciliation:					
Unallocated assets			59,400	—	59,400
Total assets			121,214	11,383	132,597
Segment liabilities					
Reconciliation:					
Unallocated liabilities			22,941	—	22,941
Total liabilities			78,663	—	78,663
Six months ended 30 June 2009					
Other segment information					
Capital expenditure	7	6	13	—	13
Depreciation and amortisation	425	199	624	—	624
Reconciliation:					
Unallocated depreciation and amortisation			5	—	5
			629	—	629
Impairment loss recognised:					
Trade and bills receivables	275	—	275	—	275
Other receivables	250	—	250	—	250
Write off of trade and bills receivables	—	—	—	—	—
Reconciliation:					
Unallocated write off of trade and bills receivables			3	—	3
			3	—	3

4. Segment information (Continued)

The relevant geographical information of the Group is as follows:

	For the period ended 30 June 2010				
	Hong Kong HK\$'000 (Unaudited)	United States HK\$'000 (Unaudited)	The PRC HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
Sales to external customers	23,347	109,943	3,773	6,913	143,976
Revenue from discontinued operation	—	—	—	—	—
Revenue from continuing operations	23,347	109,943	3,773	6,913	143,976
Segment assets	59,753	11,449	1,769,379	70	1,840,651
Capital expenditure	641	—	1	—	642

	For the period ended 30 June 2009				
	Hong Kong HK\$'000 (Unaudited)	United States HK\$'000 (Unaudited)	The PRC HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
Sales to external customers	22,535	114,783	1,770	6,730	145,818
Revenue from discontinued operation	—	—	—	—	—
Revenue from continuing operations	22,535	114,783	1,770	6,730	145,818
Segment assets	50,927	11,770	76,842	1,219	140,758
Capital expenditure	6	—	7	—	13

5. (Loss)/profit before tax

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
(Loss)/profit before tax is stated after crediting and charging the following:		
Crediting		
Interest income	33	233
Impairment losses reversed	409	1,401
Charging		
Depreciation on property, plant and equipment	501	629
Operating lease rentals in respect of land and buildings	464	420
Impairment losses for trade and bills receivables and other receivables	455	525
Write off of trade and bill receivables	544	—
Staff costs	9,164	9,045

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong for the period less relief for available tax losses brought forward.

Tax on overseas profits is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charge to the condensed consolidated statement of income represents:

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Current tax — Hong Kong Provision for the period	621	1,132
Current tax — Overseas Provision for the period	28	11
	649	1,143

As at 30 June 2010, the Group has tax losses of approximately HK\$277 million (31 December 2009: HK\$233 million) available to offset future profits. No deferred tax asset has been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the losses can be utilised. Except for tax losses of approximately HK\$29 million (31 December 2009: HK\$31 million) arising in the PRC that are available for offsetting against the following five years' taxable profits of the companies, the tax losses of approximately HK\$248 million (31 December 2009: HK\$202 million) arising in Hong Kong may be carried forward indefinitely. The effect of temporary differences on depreciable assets is not material.

7. Discontinued operation and assets classified as held for sale

On 4 August 2008, the Company announced the decision of its board of directors to terminate the operation of Zhongshan Ching Hing Weaving Factory Limited ("Zhongshan Ching Hing"). Zhongshan Ching Hing engaged in the sale of fabric and fabric processing where the fabric processing was a separate business segment and was part of the Mainland China and Hong Kong operations. The Group ceased its fabric processing business and accordingly, the fabric processing operation had been reclassified as a discontinued operation with the comparative income statement information being reclassified as appropriate. Since Zhongshan Ching Hing was expected not to resume the fabric processing operation in future, all plant and machineries of Zhongshan Ching Hing would be sold out when interested buyers, if any, had been identified. As at 30 June 2010, the Group was still in the process of seeking for interested buyer(s). Accordingly, the said plant and machineries had been classified as assets classified as held for sale as at 30 June 2010.

The results of the fabric processing operation for the period are presented below:

	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Impairment loss of assets classified as held for sale	(991)	—
Loss before tax from the discontinued operation	(991)	—
Income tax expense	—	—
Loss for the period from the discontinued operation	(991)	—

	2010 (Unaudited)	2009 (Unaudited)
Loss per share:		
Basic, from the discontinued operation	(0.02 cent)	N/A
Diluted, from the discontinued operation	(0.02 cent)	N/A

The calculation of basic loss per share amounts from discontinued operation is based on the loss for the period attributable to owners of the Company from discontinued operation, and the number of ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts from discontinued operation presented for the period ended 30 June 2010 and 2009 in respect of a dilution as the impact of share options outstanding and convertible bonds had an anti-dilutive effect on basic loss per share amounts presented.

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2010 (Unaudited)	2009 (Unaudited)
Loss attributable to owners of the Company from the discontinued operation	(HK\$991,000)	—
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation, adjusted for share subdivision	5,531,421,770	1,921,747,340

7. Discontinued operation and assets classified as held for sale (Continued)

The major classes of assets of Zhongshan Ching Hing classified as assets classified as held for sale as at 30 June are as follows:

	2010 HK\$'000 (Unaudited)	2009 <i>HK\$'000</i> (Audited)
Plant and equipment:		
Carrying amount at 1 January	11,383	15,444
Impairment loss	(991)	(4,081)
Exchange realignment	100	20
Carrying amount at 30 June/31 December	10,492	11,383

8. Dividend

The board of directors does not recommend the payment of any dividends for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

9. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company, and the number of ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2010 and 2009 in respect of a dilution as the impact of share options outstanding and convertible bonds had an anti-dilutive effect on basic loss per share amounts presented.

On 3 May 2010, the Company subdivided each issued and unissued share of HK\$0.05 each of the Company into 5 subdivided shares of HK\$0.01 each. The basic loss per share and the diluted earnings per share for the period ended 30 June 2009 has been restated accordingly.

9. Loss per share attributable to ordinary equity holders of the Company (Continued)

The calculations of basic loss per share are based on:

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation:		
From continuing operations	(38,292)	(2,197)
From discontinued operation	(991)	—
Loss attributable to owners of the Company	(39,283)	(2,197)
Attributable to:		
Continuing operations	(0.69 cent)	(0.11 cent)
Discontinued operation	(0.02 cent)	—
	(0.71 cent)	(0.11 cent)

	Number of shares	
	At 30 June 2010 (Unaudited)	At 30 June 2009 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation, adjusted for the share subdivision	5,531,421,770	1,921,747,340

10. Exploration and evaluation assets

The Group through the newly acquired subsidiaries has obtained a mining licence expiring on 22 September 2014 for 陝西省紫陽縣桃園 — 大柞木溝鈦磁鐵礦 (the "Mine", literally translated as Shaanxi Province Ziyang County Taoyuan — Dazuomugou Taicitie Mine), an iron and titanium dioxide mine with a total mining area of 7.8892 km² located at Ziyang County, Shaanxi Province, the PRC. However, the Group has to obtain other licences to commence/continue the operations on the Mine.

11. Trade and bills receivables

Details of the aging analysis of trade and bills receivables, based on the invoice date and net of provision, were as follows:

	At 30 June 2010 HK\$'000 (Unaudited)	At 31 December 2009 HK\$'000 (Audited)
Current	14,361	7,317
31-60 days	2,032	5,039
61-90 days	497	767
Over 90 days	678	1,657
	17,568	14,780

The movements in provision for impairment of trade and bills receivables are as follows:

	At 30 June 2010 HK\$'000 (Unaudited)	At 31 December 2009 HK\$'000 (Audited)
At 1 January	6,259	7,177
Impairment losses recognised	191	471
Impairment losses written back	(409)	(1,389)
At 30 June/31 December	6,041	6,259

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	At 30 June 2010 HK\$'000 (Unaudited)	At 31 December 2009 HK\$'000 (Audited)
Neither past due nor impaired	12,622	11,641
Less than 1 month past due	2,716	897
1 to 3 months past due	1,310	787
Over 3 months past due	920	1,455
	17,568	14,780

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, and the directors have performed an assessment, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. Trade and bills payables

Details of the aging analysis of trade and bills payables, based on the invoice date, were as follows:

	At 30 June 2010 HK\$'000 (Unaudited)	At 31 December 2009 HK\$'000 (Audited)
Current	20,582	7,179
31 — 60 days	1,373	2,257
61 — 90 days	216	1,065
Over 90 days	9,329	8,939
	31,500	19,440

13. Finance lease payables

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2010 HK\$'000 (Unaudited)	At 31 December 2009 HK\$'000 (Audited)	At 30 June 2010 HK\$'000 (Unaudited)	At 31 December 2009 HK\$'000 (Audited)
Amounts payable under finance lease:				
Within one year	410	334	346	281
In the second year	383	323	328	270
In the third to fifth years inclusive	58	136	56	112
Total minimum finance lease payments	851	793	730	663
Less: Future finance charges	(121)	(130)		
Present value of lease obligations	730	663		
Less: Amount due for settlement within 12 months (shown under current liabilities)	(346)	(281)		
Amount due for settlement after 12 months	384	382		

It is the Group's policy to lease certain of its motor vehicles under finance lease. The average lease term is 2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

14. Convertible bonds

On 30 March 2010, the Company issued 2% convertible bonds with a nominal value of HK\$1,680,000,000. The bonds are convertible into ordinary shares on or before the third anniversary from the issue date of the convertible bonds at the initial conversion price of HK\$0.22 per share. The bonds carry interest at a rate of 2% per annum, which is payable annually in arrears on 30 March. Up to 30 June 2010, the convertible bonds with nominal value of HK\$487,200,000 have been converted at an adjusted conversion price of HK\$0.044 into 11,072,727,272 ordinary shares of HK\$0.01 each.

The convertible bonds issued during the period have been split as to the liability and equity components, as follows:

	30 June 2010	31 December 2009
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Nominal value of convertible bonds issued during the period	1,680,000	—
Equity component	(515,501)	—
Liability component at the issuance date	1,164,499	—
Conversion into shares during the period	(337,705)	—
Interest expense	32,448	—
Liability component at 30 June/31 December	859,242	—

15. Share capital

	No. of shares	HK\$'000 (Unaudited)
Authorised:		
As at 1 January 2009 and as at 31 December 2009	5,000,000,000	250,000
Increase in authorised capital (note a)	25,000,000,000	1,250,000
As at 3 May 2010 before share subdivision	30,000,000,000	1,500,000
Share subdivision on 4 May 2010 (note b)	120,000,000,000	—
As at 30 June 2010	150,000,000,000	1,500,000
Issued and fully paid:		
As at 1 January 2009 and as at 31 December 2009	384,349,468	19,217
Issue of shares upon conversion of convertible bonds (note c)	850,000,000	42,500
As at 3 May 2010 before share subdivision	1,234,349,468	61,717
Share subdivision on 4 May 2010 (note b)	4,937,397,872	—
Issue of shares upon exercise of share options (note d)	8,000,000	80
Issue of shares upon conversion of convertible bonds (note e)	6,822,727,272	68,227
As at 30 June 2010	13,002,474,612	130,024

15. Share capital *(Continued)*

Note:

- (a) Pursuant to the ordinary resolution passed on 17 March 2010, the authorised share capital had been increased from \$250,000,000 to \$1,500,000,000 by the creation of an additional 25,000,000,000 shares of \$0.05 each ranking pari passu in all respects with the existing shares of the Company.
- (b) Pursuant to the ordinary resolution passed on 3 May 2010, the Company subdivided the issued and unissued shares of the Company into 5 new shares of \$0.01 each for 1 existing share of \$0.05 each on 4 May 2010.
- (c) During the period from 30 March 2010 (date of issue of convertible bonds) to 3 May 2010 (date before the share subdivision), convertible bonds with nominal value of HK\$187,000,000 were converted into 850,000,000 ordinary shares of HK\$0.05 each at the conversion price of HK\$0.22.
- (d) On 17 May 2010, 8,000,000 ordinary shares of HK\$0.01 each were issued to an employee of the Company upon the exercise of 8,000,000 share options at the exercise price of HK\$0.014 per share.
- (e) During the period from 4 May 2010 (date of share subdivision) to 30 June 2010, convertible bonds with nominal value of HK\$300,200,000 were converted into 6,822,727,272 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.044.

16. Share-based payment transactions***Equity-settled share option scheme of the Company***

The Company has a share option scheme ("2002 Share Option Scheme") which was adopted on 27 May 2002. For the better development of the Group, it is important that the Group is able to recruit, retain and motivate high caliber and good quality employees and officers to serve the Group on a long term basis as well as to maintain good relationship with its suppliers, customers and professional advisers. The Group believes that having a share option scheme in place is one of the most attractive means to attract and retain those persons to contribute to the continuous development of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme but the Company may refresh the scheme mandate limit, by the approval of its shareholders in Annual General Meeting and the issue of a circular in accordance with the requirements of the Listing Rules, such that the total number of shares in respect of which options may be granted by the directors under the 2002 Share Option Scheme and any other schemes of the Company shall not exceed 10% of the issued share capital of the Company at the date of approval to refresh such limit. Options previously granted under the 2002 Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculation limited as "refreshed". Notwithstanding the aforesaid in this paragraph, the maximum number of shares in respect of which options may be granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. At 30 June 2010, the total number of shares available for issue under the 2002 Share Option Scheme was 153,754,730 (adjusted due to share subdivision on 4 May 2010) shares, which represented approximately 8% of the issued share capital of the Company at that day. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant of the options, would not exceed 1% of the aggregate number of shares in issue unless the grant of such options is specifically approved by the shareholders of the Company in general meeting and a circular is issued in accordance with the requirements of the Listing Rules.

16. Share-based payment transactions (Continued)**Equity-settled share option scheme of the Company (Continued)**

At 30 June 2010, a total of 102,420,000 (31 December 2009: 22,084,000) share options were still outstanding under the 2002 Share Option Scheme as follows:

	Grant date	At 1 January 2009	Adjusted upon the share subdivision	Granted during the period	Exercise during the period	Lapsed during the period	At 30 June 2009	Exercise period	Exercise price per share
<i>HK\$</i>									
Executive Directors									
Mr. Yiu Ching On	26.9.2006	3,200,000	12,800,000 (note 1)	—	—	—	16,000,000	30.11.2007- 25.9.2016	0.014 (note 1)
	11.6.2008	3,842,000	15,368,000 (note 2)	—	—	—	19,210,000	11.6.2008- 10.6.2018	0.100 (note 2)
Mr. Yiu Kwok Ming, Tommy	26.9.2006	3,200,000	12,800,000 (note 1)	—	—	—	16,000,000	30.11.2007- 25.9.2016	0.014 (note 1)
	11.6.2008	3,842,000	15,368,000 (note 2)	—	—	—	19,210,000	11.6.2008- 10.6.2018	0.100 (note 2)
Mr. Leung Kwok Ip	26.9.2006	3,200,000	12,800,000 (note 1)	—	—	—	16,000,000	30.11.2007- 25.9.2016	0.014 (note 1)
Mr. Wong Wai Man	26.9.2006	3,200,000	12,800,000 (note 1)	—	—	—	16,000,000	30.11.2007- 25.9.2016	0.014 (note 1)
Sub-total		20,484,000	81,936,000	—	—	—	102,420,000		
Other eligible employees	26.9.2006	1,600,000	6,400,000 (note 1)	—	(8,000,000) (note 2)	—	—	30.11.2007- 25.9.2016	0.014 (note 1)
		22,084,000	88,336,000	—	(8,000,000)	—	102,420,000		

Notes:

- (1) The number and the exercise price of share options which remained outstanding have been adjusted due to share subdivision of the Company with effect from 4 May 2010. The exercise price per share was adjusted from HK\$0.07 to HK\$0.014.
- (2) The number and the exercise price of share options which remained outstanding have been adjusted due to share subdivision of the Company with effect from 4 May 2010. The exercise price per share was adjusted from HK\$0.5 to HK\$0.1.
- (3) The closing price of the shares immediately before the date on which the share options were exercised was HK\$0.062.

16. Share-based payment transactions *(Continued)***Equity-settled share option scheme of the Company** *(Continued)*

Employee share option expenses related to the above grants of share option are charged to the consolidated income statement over the vesting period. Such expenses were determined by the Company based on the Black-Scholes valuation model with the following assumptions:

Date of grant	11 June 2008	26 September 2006
Value per option	HK\$0.42*	HK\$0.04*
Closing share price at date of grant	HK\$0.50*	HK\$0.07*
Exercise price per share	HK\$0.50*	HK\$0.07*
Standard deviation	1.1971	0.7338
Annual risk-free interest rate	3.41%	3.69%
Life of options	5 years	10 years
Vesting period	4 years	4 years

* These prices have not been adjusted for the effect of the share subdivision of the Company which took effect on 4 May 2010.

17. Banking facilities

At 30 June 2010, the Group's credit facilities amounting to HK\$126,260,000 (31 December 2009: HK\$128,760,000) granted by banks and a credit company were secured by the following:

- (a) guarantees given by the Company and the minority shareholders of subsidiaries for HK\$108,898,000 (31 December 2009: HK\$111,898,000) and HK\$82,812,000 (31 December 2009: HK\$83,712,000) respectively;
- (b) charges over bank deposits of the Group of HK\$14,859,000 (31 December 2009: HK\$15,866,000); and
- (c) personal guarantees of HK\$12,000,000 (31 December 2009: HK\$12,000,000) given by a director of the Company.

18. Commitments**Operating lease commitments**

At 30 June 2010, the Group had no non-cancellable operating leases in respect of land and buildings (31 December 2009: Nil).

19. Related party transactions and balances

During the period, the Group entered into the following material transactions with its related parties in the normal course of business:

	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Six months ended 30 June		
(a) Transactions with related parties:		
Rental paid to a related company (note (i))	420	420
Interest paid to a related company (note (iv))	250	272
Interest paid to a director (note (iii))	58	—
Interest paid to a shareholder (note (ii))	142	142
At 30 June/31 December		
(b) Balances with related parties:		
Amount due to a director (note (iii))	5,280	4,200
Amount due to a shareholder (note (ii))	6,013	6,013
Amount due to a related company (note (iv))	8,094	8,477

- (c) Members of key management during the period comprised 4 (six months ended 30 June 2009: 4) executive directors whose remuneration is amounting to HK\$1,670,000 (six months ended 30 June 2009: HK\$1,670,000).

Notes:

- (i) Mr. Yiu Ching On, an executive director of the Company, beneficially owns the related company. This transaction was conducted in accordance with the terms agreed between the Group and the related company.
- (ii) The shareholder, Ms. Wong Kai Chun, is the spouse of Mr. Yiu Ching On. The amount due to the shareholder is unsecured and interest bearing at 4.75% p.a. and has no fixed terms of repayment.
- (iii) Mr. Yiu Kwok Ming, Tommy is an executive director of the Company. The amount due to the director is unsecured and has no fixed terms of repayment, of which HK\$3,280,000 (31 December 2009: HK\$2,200,000) is interest-free and HK\$2,000,000 (31 December 2009: HK\$2,000,000) bears interest at 1% over Hong Kong prime rate p.a..
- (iv) Mr. Yiu Ching On, an executive director of the Company, beneficially owns another related company. The amount due to the related company is unsecured, interest bearing at 1% over Hong Kong prime rate p.a. and repayable by 120 monthly instalments commencing on 18 August 2008.

20. Comparative amounts

Certain comparative amounts have been reclassified and restated to conform with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was principally engaged in the sale of fabrics and the sale of garment and accessories during the period under review. On 30 March 2010, the Group acquired an iron and titanium dioxide mine and commenced to diversify into mining business.

FINANCIAL RESULTS

The Group has recognized an unaudited net loss attributable to shareholders of HK\$39.3 million for the six months ended 30 June 2010 as compared with a net loss of HK\$2.2 million in the same period last year. Such increase was mainly due to the imputed interest cost of the convertible bonds issued by the Company during the period under review.

The Group's unaudited turnover was HK\$144 million representing a 1.3% decrease over the corresponding figure of HK\$145.8 million in the same period last year. The decrease was mainly due to the drop in revenue contributed from the businesses in the United States, the origin of the global financial crisis. Furthermore, as a result of continuously upsurge on cost of cotton during the first half of 2010 and keen competitions in the textile industry in the PRC, the Group's gross profit unavoidably decreased by 27.7% to HK\$12.8 million.

During the period under review, the Group continuously explored potential growth in garments trading and diversified the customer bases of textile industry in other areas. A drop in Group's revenue but a slightly increase in distribution costs by 3.1% was due to increasing marketing activities on market of the garments trading in Europe. Administrative expenses included costs related to the supporting functions of the Group. As a result of effective cost control measures, the administrative expenses remained stable at HK\$7.5 million.

The Group generally financed its operation by internal cash resources and bank financing and the Groups' finance costs per year was maintained at about HK\$3.4 million. During the period under review, the Group issued convertible bonds in a principal amount of HK\$1,680 million as consideration for the acquisition of an iron and titanium dioxide mine and the imputed interest cost of the convertible bonds directly caused an increase in finance costs for the period under review to HK\$40.5 million.

Since the Group discontinued the fabric processing operation in Zhongshan, the PRC in 2008, the Group continuously realized the assets in relation to the fabric processing operations and reallocated the resources to support the principal business operations and business diversification of the Group. During the period under review, the Group sold one of the investment properties in Zhongshan, the PRC and recorded a gain on disposal of investment properties of about HK\$6.9 million.

Interim Dividend

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

BUSINESS REVIEW AND PROSPECTS

Sale of Fabrics

Revenue generated from sale of fabrics increased by HK\$1.3 million to approximately HK\$28.5 million. It was due to the increase in revenue contributed from fabric trading in the PRC. During the period under review, the Group expanded its fabric trading operation in the PRC in order to cope with the steady economic growth in the PRC.

However, the operating environments of fabric trading was still challenging. On one hand, the cost of cotton in the PRC increased significantly and impaired the profitability of the textile industry in Hong Kong and the PRC. On the other hand, affected by the financial crisis in the United States and as a result of the decrease in export of textile products in the PRC, the cut-throat price competitions in the PRC was accelerated. The unaudited segment loss of the Group therefore increased by HK\$1.4 million to HK\$4.9 million. To overcome the tough trading environment, the Group will carefully form strategic alliance with sales persons with high marketing caliber to enhance our market position and only accept sales orders from customer with good repayment record to minimize the risk of order cancellation and quality rejection.

Sale of Garments and Accessories

The Group's primary market of garments trading was the United States and the revenue generated from the United States representing approximately 76.4% of the total revenue of the Group during the period under review. Since the sub-prime mortgage crisis and the bankruptcy of Lehman Brothers, the consumer sentiment index in the United States remained weak for years and the Group's revenue from sales of garments and accessories was decreased moderately. To minimize the distress caused by the financial crisis, the Group, in the second half of 2009, started to explore the market of garments trading in other areas, such as Europe. Therefore, revenue generated from sales of garments and other related accessories only slightly decreased by 2.6% to HK\$115.4 million and the segment result just decreased to approximately HK\$5.2 million.

Operationally, the Group acquired garments from suppliers situated in South-Asian countries, such as Bangladesh. The countries over there could provide abundant labour force with lower cost of production. The Group then exported garments to certain major retailers, importers and department stores in the United States. To maintain a steady pace of development of this segment in long-term, the Group will source different garments suppliers worldwide to maintain the profitability of this segment.

Mining Business

On 30 March 2010, the Group acquired a mining company in order to broaden the income base of the Group and diversify its business into non-ferrous industry. The mining company held a mining licence under which the company has the right to conduct mining and exploitation works in a mine located at Ziyang County, Shaanxi Province, the PRC. Exploration on the mine was completed.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Mining Business *(Continued)*

As a new business to the Group, the Group established an experienced management team to oversee the operation of the mining company in order to control the related operational risks of this business. The segment loss of HK\$0.3 million was the administrative expenses of this operation during the period under review.

Discontinued Operation

On 4 August 2008, the Group discontinued the fabric processing business in Zhongshan, the PRC and accordingly, the fabric processing operation was reclassified as a discontinued operation. At 30 June 2010, all plant and machineries of the fabric processing operation was classified as assets classified as held for sale and valued by independent qualified valuers. The loss for the period from the discontinued operation of approximately HK\$1 million was the impairment loss of assets classified as held for sale.

Liquidity and Financial Resources

The Group continuously maintained a net increase in cash and cash equivalents. At 30 June 2010, the Group had total assets of HK\$1,840 million which were financed by total liabilities of HK\$963 million and equity of HK\$877 million. Accordingly, the Group's ratio of debts to total assets and debts to equity were decreased to 52.4% (31 December 2009: 59.3%) and 109.9% (31 December 2009: 145.9%), respectively.

The Group mainly financed its operation by internal cash resources, bank financing, director's loan, a shareholder's loan and a loan from a related company. At 30 June 2010, the Group had cash on hand, pledged bank deposits and bank balances for an aggregate amount of about HK\$53.1 million and unutilised banking facilities for a total of about HK\$109.5 million.

To strengthen its financial position for normal daily operation and expansion and to further broaden the shareholder base, subsequent to the period end, the Company placed 2,057,767,649 shares at the placing price of HK\$0.01 per share. The net proceeds from the placing are about HK\$19.81 million.

Capital Structure

Pursuant to the ordinary resolution passed on 17 March 2010, the authorised share capital of the Company had been increased from \$250,000,000 to \$1,500,000,000 by the creation of an additional 25,000,000,000 shares of \$0.05 each ranking pari passu in all respects with the existing shares of the Company.

In early of November 2009, the Group entered into a sale and purchase agreement to acquire an iron and titanium dioxide mine in the PRC. The deal was completed on 30 March 2010. During the completion, the Group issued convertible bonds in a principal amount of HK\$1,680 million as consideration.

BUSINESS REVIEW AND PROSPECTS *(Continued)***Capital Structure** *(Continued)*

On 7 April 2010, the Company issued 50,000,000 shares to convertible bonds holder(s) for the conversion of HK\$11 million convertible bonds at a conversion price of HK\$0.22 per share.

On 12 April 2010, the Company issued 100,000,000 shares to convertible bonds holder(s) for the conversion of HK\$22 million convertible bonds at a conversion price of HK\$0.22 per share.

On 19 April 2010, the Company issued 150,000,000 shares to convertible bonds holder(s) for the conversion of HK\$33 million convertible bonds at a conversion price of HK\$0.22 per share.

On 20 April 2010, the Company issued 150,000,000 shares to convertible bonds holder(s) for the conversion of HK\$33 million convertible bonds at a conversion price of HK\$0.22 per share.

On 29 April 2010, the Company issued 200,000,000 shares to convertible bonds holder(s) for the conversion of HK\$44 million convertible bonds at a conversion price of HK\$0.22 per share.

On 30 April 2010, the Company issued 200,000,000 shares to convertible bonds holder(s) for the conversion of HK\$44 million convertible bonds at a conversion price of HK\$0.22 per share.

On 4 May 2010, the Company subdivided each issued and unissued share of HK\$0.05 each of the Company into 5 subdivided shares of HK\$0.01 each. Therefore, the authorized share capital of the Company were HK\$1,500,000,000 divided into 150,000,000,000 subdivided shares.

On 4 May 2010, the Company issued 1,000,000,000 shares to convertible bonds holder(s) for the conversion of HK\$44 million convertible bonds at a conversion price of HK\$0.044 per share.

On 5 May 2010, the Company issued 859,090,909 shares to convertible bonds holder(s) for the conversion of HK\$37.8 million convertible bonds at a conversion price of HK\$0.044 per share.

On 13 May 2010, the Company issued 750,000,000 shares to convertible bonds holder(s) for the conversion of HK\$33 million convertible bonds at a conversion price of HK\$0.044 per share.

On 14 May 2010, the Company issued 8,000,000 shares to a share option holder at an exercise price of HK\$0.014 per share. The Company received proceeds of approximately HK\$0.11 million.

On 18 May 2010, the Company issued 750,000,000 shares to convertible bonds holder(s) for the conversion of HK\$33 million convertible bonds at a conversion price of HK\$0.044 per share.

On 20 May 2010, the Company issued 750,000,000 shares to convertible bonds holder(s) for the conversion of HK\$33 million convertible bonds at a conversion price of HK\$0.044 per share.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Capital Structure *(Continued)*

On 17 June 2010, the Company issued 1,500,000,000 shares to convertible bonds holder(s) for the conversion of HK\$66 million convertible bonds at a conversion price of HK\$0.044 per share.

On 21 June 2010, the Company issued 1,213,636,363 shares to convertible bonds holder(s) for the conversion of HK\$53.4 million convertible bonds at a conversion price of HK\$0.044 per share.

Apart from the above, there was no change in the capital structure of the Company during the period under review.

Pledge of Assets

At 30 June 2010, the Group's bank deposits of about HK\$14.9 million was pledged with banks for banking facilities of the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes and Trading Schemes

At 30 June 2010, the Group employed about 95 employees including sales and merchandising, accounting and administrative staff in Hong Kong, the PRC and Bangladesh. The total staff costs and directors' remuneration for the period were approximately HK\$9.2 million. Employees are remunerated based on market and industry practice. The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

Significant Investments, Material Acquisitions and Disposals and Future Plans for Material Investments or Capital Assets

In the second half of 2008, the Group discontinued the fabric processing operation and maintained its plant and machineries in the dyeing factory in workable conditions and classified as assets classified as held for sale. At 30 June 2010, the assets classified as held for sale and factory buildings were valued at HK\$10.5 million and HK\$49.7 million, respectively. The Group continuously took steps to sell those plant and machineries to interested buyers. The factory buildings comprise a site with an area of approximately 65,333 square metres and the Group would lease or sell out to interested parties.

In early of November 2009, the Group entered into a sale and purchase agreement to acquire an iron and titanium dioxide mine in the PRC. The deal was completed on 30 March 2010. Upon the completion, the Group issued convertible bonds in a principal amount of HK\$1,680 million as consideration. The Group will penetrate the non-ferrous industry and diversify its existing business, with the aim of broadening the income base of the Group. The total capital injection plans for the mine is amount to about Rmb400 million. The management of the Group will closely monitor the progress and execution of the capital injection plans which may be updated from time to time with reference to the business environment and the development of the mining businesses as well as the availability of the Group's financial resources at the time.

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2010, the directors or their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code"):

Shares — long position**The Company:**

Name of directors	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Yiu Ching On	23,760,000	163,090,000 <i>(note a)</i>	—	589,590,275 <i>(note c and d)</i>	776,440,275
Mr. Yiu Kwok Ming, Tommy	10,500,000	—	249,285,710 <i>(note b)</i>	589,590,275 <i>(note c)</i>	849,375,985
Mr. Wong Wai Man	1,350,000	—	—	—	1,350,000

Notes:

- (a) Such shares are beneficially owned by his spouse, Ms. Wong Kai Chun.
- (b) Such shares are beneficially owned, as to 99,285,710 shares by Cotton Row Limited and as to 150,000,000 shares by Happy Joy Limited. The entire issued share capital of each of Cotton Row Limited and Happy Joy Limited is beneficially owned by Mr. Yiu Kwok Ming, Tommy.
- (c) Such shares are beneficially owned, as to 1,500,000 shares by Gaport Limited and as to 588,090,275 shares by Jarak Assets Limited. The entire issued share capital of Gaport Limited is beneficially owned by Determine Win Investments (PTC) Limited. The entire issued share capital of Jarak Assets Limited is owned, as to 5.02% by Happy Joy Limited and as to 94.98% by Determine Win Investments (PTC) Limited. Determine Win Investments (PTC) Limited is the trustee of The Yiu's Family Unit Trust, 99.99% units in issue of which is owned by HSBC International Trustee Limited as the trustee of The Yiu's Family Trust, the beneficiaries (after the death of the last to die of Mr. Yiu Ching On and Ms. Wong Kai Chun) of which include, among others, Mr. Yiu Kwok Ming, Tommy, Mr. Yiu Kwok Yung, (the younger brother of Mr. Yiu Kwok Ming, Tommy) and the issues of Mr. Yiu Kwok Ming, Tommy and Mr. Yiu Kwok Yung.
- (d) Mr. Yiu Ching On is the founder of The Yiu's Family Trust, a discretionary trust.

DIRECTORS' INTERESTS IN SECURITIES (Continued)**Shares — long position** (Continued)**Associated corporation:**

Name of associated corporation	Name of director	Personal interests	Family interests	Corporate interests
Ching Hing Weaving Dyeing & Printing Factory Limited	Mr. Yiu Ching On	14,196,591	376,427 (note b)	28,023,134 (note c)

Notes:

- (a) The above represent interests in non-voting deferred shares.
- (b) Such non-voting deferred shares are beneficially owned by the spouse of Mr. Yiu Ching On.
- (c) Filand Limited and Clear Picture Holdings Limited, companies wholly-owned by Mr. Yiu Ching On, the Chairman of the Company, beneficially owned 10,633,875 and 17,389,259 non-voting deferred shares respectively.

Interest in underlying shares

The directors of the Company have been granted options under the Company's share option scheme, details of which are set out in note 16 to condensed consolidated interim financial statements.

Save as disclosed above and note 16 to condensed consolidated interim financial statements, at no time during the period had the directors (including their spouse and children under 18 years of age) have any interest in, or been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2010, there is no substantial shareholder of the Company but the following parties (other than the directors) have long positions in the underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in underlying shares

Name	Number of underlying shares interested	Percentage of issued share capital at 30 June 2010
Maple Creation Limited (<i>note a and c</i>)	19,472,727,272	149.76%
Pretty Wise Limited (<i>note b and c</i>)	7,636,363,636	58.73%
Ms. Wong Kai Chun (<i>note d</i>)	7,042,000	0.05%

Note:

- (a) Maple Creation Limited is legally and beneficially owned as to 100% by Mr. Fung Man Chun. It held HK\$856,800,000 convertible bonds of the Company.
- (b) Pretty Wise Limited is legally and beneficially owned as to 50% by Ms. Li Ying and 50% by Mr. Xia Hongbing. It held HK\$336,000,000 convertible bonds of the Company.
- (c) The interests represents the maximum number of new shares which may be issued upon the full conversion of convertible bonds issued by the Company at the adjusted conversion price HK\$0.044 per share.
- (d) Such share options are beneficially owned by Mr. Yiu Ching On, spouse of Ms. Wong Kai Chun.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not throughout the accounting period covered by the interim report, in compliance with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Wong Chun Hung, Mr. Cheung Cho Yiu and Mr. Liang Jin An. The Audit Committee had reviewed the Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive directors, Mr. Liang Jin An, Mr. Cheung Cho Yiu, Mr. Wong Chun Hung and one executive director, Mr. Yiu Kwok Ming, Tommy. Mr. Liang Jin An is the Chairman of the Committee. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

MEMBERS OF THE BOARD

Executive Directors

Mr. Yiu Ching On (*Chairman and resigned on 12 July 2010*)

Mr. Yiu Kwok Ming, Tommy (*Managing Director*)

Mr. Leung Kwon Ip (*resigned on 10 August 2010*)

Mr. Wong Wai Man

Mr. Chan Yiu Fai (*appointed on 12 July 2010*)

Mr. Yim Hin Keung (*appointed on 10 August 2010*)

Independent Non-executive Directors

Mr. Cheung Cho Yiu

Mr. Chan Kin Wah, Billy (*resigned on 2 July 2010*)

Mr. Liang Jin An

Mr. Wong Chun Hung (*appointed on 2 July 2010*)