



寶源控股有限公司
Bao Yuan Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 692)

Interim Report
Interim Report

Interim Report

2012

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION



13F Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

**To the board of directors of Bao Yuan Holdings Limited
(Incorporated in Bermuda with limited liability)**

Introduction

We have reviewed the interim condensed consolidated financial statements of Bao Yuan Holdings Limited and its subsidiaries (collectively, the "Group") set out on pages 2 to 25, which comprise the condensed consolidated statement of financial position as at 30 June 2012 and the related condensed consolidated income statement and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of 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 ("Listing Rules") 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 condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated 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 the interim condensed consolidated 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
24 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	5,153	19,725
Cost of sales		(1,663)	(17,817)
Gross profit		3,490	1,908
Other income	3	456	588
Distribution costs		(1,938)	(2,757)
Administrative expenses		(31,931)	(8,338)
Other operating expenses		(24)	(303)
Finance costs		(19,784)	(33,975)
Loss before tax	5	(49,731)	(42,877)
Income tax expense	6	—	—
Loss for the period		(49,731)	(42,877)
Loss for the period attributable to:			
Owners of the Company		(47,973)	(40,757)
Non-controlling interests		(1,758)	(2,120)
		(49,731)	(42,877)
Loss per share attributable to ordinary equity holders of the Company	8		(Restated)
Basic			
— For loss for the period		(9.9 cents)	(26.3 cents)
Diluted			
— For loss for the period		(9.9 cents)	(26.3 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Loss for the period	(49,731)	(42,877)
Other comprehensive income:		
Exchange differences on translation of foreign operations	613	566
Total comprehensive income for the period, net of tax	(49,118)	(42,311)
Total comprehensive income attributable to:		
Owners of the Company	(47,743)	(40,355)
Non-controlling interests	(1,375)	(1,956)
	(49,118)	(42,311)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		4,081	2,895
Exploration and evaluation assets	9	1,539,000	1,539,000
Intangible asset		3,400	3,800
Loan receivables		3,040	—
Deposit paid for the acquisition of a subsidiary		80,000	80,000
Available-for-sale financial investment		590	590
Deferred tax asset		40,207	40,207
		1,670,318	1,666,492
Current assets			
Inventories		1,656	446
Loan receivables		23,634	20,974
Trade receivables	10	629	1,255
Other receivables, prepayments and deposits		4,628	8,660
Equity investments at fair value through profit or loss		22,367	29,038
Pledged bank deposits		6,012	6,003
Cash and bank balances		17,677	35,979
		76,603	102,355
Current liabilities			
Bank overdrafts, secured		266	267
Trade payables	11	523	932
Other payables and accruals		27,124	27,425
Tax payable		1,958	1,958
		29,871	30,582
Net current assets		46,732	71,773
Total assets less current liabilities		1,717,050	1,738,265

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2012

	Notes	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current liability			
Convertible bonds	12	323,895	311,600
		323,895	311,600
Net assets		1,393,155	1,426,665
Equity			
Equity attributable to owners of the Company			
Issued capital	13	486	405
Equity component of convertible bonds	12	112,551	112,551
Reserves		1,283,851	1,316,067
		1,396,888	1,429,023
Non-controlling interests		(3,733)	(2,358)
Total equity		1,393,155	1,426,665

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company										
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Employee share option reserves HK\$'000 (Unaudited)	Capital reserves HK\$'000 (Unaudited)	Equity component of convertible bonds HK\$'000 (Unaudited)	Exchange reserves HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2011	4,902	959,486	226,512	2,453	(21)	210,741	462	(132,509)	1,272,026	2,537	1,274,563
Loss for the period and total comprehensive income for the period	—	—	—	—	—	—	402	(40,757)	(40,355)	(1,956)	(42,311)
Redemption of convertible bonds	—	—	—	—	—	(24,547)	—	—	(24,547)	—	(24,547)
Issue of shares through placement	2,140	34,365	—	—	—	—	—	—	36,505	—	36,505
At 30 June 2011	7,042	993,851	226,512	2,453	(21)	186,194	864	(173,266)	1,243,629	581	1,244,210
At 1 January 2012	405	1,213,244	388,084	3,253	(21)	112,551	1,116	(289,609)	1,429,023	(2,358)	1,426,665
Loss for the period and total comprehensive income for the period	—	—	—	—	—	—	230	(47,973)	(47,743)	(1,375)	(49,118)
Issue of shares through placement	81	15,527	—	—	—	—	—	—	15,608	—	15,608
At 30 June 2012	486	1,228,771	388,084	3,253	(21)	112,551	1,346	(337,582)	1,396,888	(3,733)	1,393,155

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(24,020)	(33,871)
Net cash flows used in investing activities	(2,570)	(2,953)
Net cash flows from/(used in) financing activities	8,274	(44,763)
Net decrease in cash and cash equivalents	(18,316)	(81,587)
Cash and cash equivalents at the beginning of the period	35,712	135,303
Effect of foreign exchange rate changes	15	(66)
Cash and cash equivalents at the end of the period	17,411	53,650
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	17,677	55,155
Bank overdrafts, secured	(266)	(1,149)
Trust receipt loans repayable within three months	—	(356)
	17,411	53,650

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

Bao Yuan Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its registered office is located at Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's principal place of business in Hong Kong is located at 25th Floor, Overseas Trust Bank Building, 160 Gloucester Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively, the "Group") were principally engaged in the sales of fabrics, garments and other related accessories in Hong Kong, the United States and the Peoples' Republic of China (the "PRC"), iron and titanium exploration, development and mining in the PRC, securities investment, fashion business and money lending business during the period. Fashion business and money lending business are newly developed by the Group during 2011.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 (the "Unaudited Condensed Consolidated Interim Financial Statements") have been approved for issue by the Board of Directors on 24 August 2012.

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 2011 (the "2011 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.

Comparative figure restatement

The basic loss per share for the six months ended 30 June 2011 had been adjusted to reflect the share consolidation on 7 October 2011 and the open offer of seven offer shares ("Offer Shares") for two ordinary shares (the "Open Offer") subsequent to 30 June 2012.

2.2 Changes in accounting policies and disclosures

Other than the adoption of new and revised 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 adopted in the annual financial statements for the year ended 31 December 2011.

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 the financial position or performance of the Group.

HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets

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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans ²
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKAS 1 (Amendments)	Presentation of Financial Statements — Presentation of items of Other Comprehensive Income ¹
HKAS 19 (Revised in 2011)	Employee Benefits ²
HKAS 27 (Revised in 2011)	Separate Financial Statements ²
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial instruments: Presentation — Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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 invoiced value of sales of fabrics, garments and other related accessories, after allowances for returns and trade discounts, profit/(loss) from trading of securities, interest received and receivable from money lending, and invoices value of sales of fashion designed product and services rendered. During the period, the Group did not generate any income from mining business.

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

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue		
Sales of fabrics	—	1,618
Sales of garments and accessories	2,627	19,283
Sales of fashion design products	371	—
Service income from fashion design	550	—
Interest income from loan receivables	1,985	—
Loss on sales of equity investments at fair value through profit or loss	(380)	(1,176)
	5,153	19,725
Other income and gains		
Commission income	299	224
Write back of impairment loss on trade and bills receivables	—	56
Interest income	69	17
Gain on disposal of property, plant and equipment	—	255
Rental income	38	—
Others	50	36
	456	588
Total revenue, other income and gains	5,609	20,313

4. Segment information (Continued)

	Sales of fabrics HK\$'000 (Unaudited)	Sales of garments and accessories HK\$'000 (Unaudited)	Mining HK\$'000 (Unaudited)	Securities HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2011					
Segment revenue					
Revenue from external customers	1,618	19,283	—	(1,176)	19,725
Segment results	(343)	(608)	(861)	(1,752)	(3,564)
Reconciliation:					
Interest income and unallocated gains					2
Corporate and other unallocated expenses					(5,479)
Finance costs					(33,836)
Loss before tax					(42,877)
Other segment information					
Capital expenditure	—	—	—	—	—
Reconciliation:					
Unallocated capital expenditure					140
					140
Depreciation and amortisation	—	109	1	—	110
Reconciliation:					
Unallocated depreciation and amortisation					45
					155
Impairment loss for trade and bills receivables	2	—	—	—	2
Write back of impairment loss of trade and bills receivables	—	(56)	—	—	(56)

4. Segment information (Continued)

The relevant geographical information of the Group is as follows:

	For the six months ended 30 June 2012			
	Hong Kong HK\$'000 (Unaudited)	United States HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue				
Revenue from external customers	2,525	396	2,232	5,153
Capital expenditure	2,304	—	—	2,304
	For the six months ended 30 June 2011			
	Hong Kong HK\$'000 (Unaudited)	United States HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue				
Revenue from external customers	(381)	12,742	7,364	19,725
Capital expenditure	140	—	—	140

5. Loss before tax

Loss before tax is stated after crediting and charging the following:

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Crediting		
Commission income	299	224
Interest income	69	17
Gain on disposal of property, plant and equipment	—	255
Rental income	38	—
Write back of impairment loss of trade and bills receivables	—	56
Charging		
Depreciation on property, plant and equipment	218	155
Amortisation of intangible asset	400	—
Exchange loss	24	39
Fair value loss on equity investment at fair value through profit or loss	9,433	262
Operating lease rentals in respect of land and buildings	1,808	989
Impairment losses on trade and bills receivables and other receivables	—	2
Staff costs	7,279	4,694

6. Income tax

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2011: Nil).

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.

As at 30 June 2012, the Group has tax losses of approximately HK\$241 million (31 December 2011: HK\$391 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\$4 million (31 December 2011: HK\$8 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\$237 million (31 December 2011: HK\$383 million) arising in Hong Kong may be carried forward indefinitely. The effect of temporary differences on depreciable assets is not material.

7. Dividend

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

8. 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 weighted average number of approximately 485,224,000 (2011: approximately 155,069,000 as adjusted to reflect the share consolidation on 7 October 2011 and the Open Offer subsequent to 30 June 2012) ordinary shares in issue during the period, as adjusted to reflect the Open Offer subsequent to the end of the reporting period.

The calculation of diluted loss per share amounts is based on the loss for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2012 and 2011 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.

8. 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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	(47,973)	(40,757)
	At 30 June 2012 (Unaudited)	At 30 June 2011 (Unaudited) (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	485,224,000	155,069,000

9. Exploration and evaluation assets

	<i>HK\$'000</i> (Unaudited)
At 1 January 2011	1,698,481
Addition during the year	813
Exchange realignment	535
Impairment during the year	(160,829)
At 31 December 2011 and at 30 June 2012	1,539,000

In 2010, the Group has obtained a mining licence expiring on 22 September 2014 of 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 of the Mine.

The exploration and evaluation assets are stated at cost less impairment losses. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to property, plant and equipment and amortised on the units of production method (the "UOP") based on the proved and probable reserves.

The application for the PRC approval of the Mine is still in progress and the Group did not have any operation during the six months ended 30 June 2012. During the year ended 31 December 2011, the directors decided to postpone the mining plan and they expected that the Group will obtain all the required licences and approvals (the "Approvals") by the end of 2013. Construction of facilities will start upon receiving the Approvals including but not limited to (i) the acquisition of land; (ii) construction of the mining factories; (iii) acquisition and construction of mining machineries/infrastructure; and (iv) production testing. The construction is divided into 3 stages and will take about 24 to 36 months to finish. Pilot production will commence after the first stage of construction work. The Group engaged an independent valuer, Lofty Appraisal Limited, to assess the fair value of the exploration and evaluation assets. The fair value of the exploration and evaluation assets as at 31 December 2011 was approximately HK\$1,539,000,000 based on the income approach. Accordingly, an impairment loss of approximately HK\$160,829,000 on the exploration and evaluation assets was charged to the consolidated condensed income statement for the year ended 31 December 2011. As there were no significant changes in the situation and no additional cost have been incurred during the six months ended 30 June 2012, in the opinion of the directors, no further impairment of the exploration and evaluation assets would be made.

10. Trade receivables

	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Trade receivables	629	1,255

Details of the aging analysis of trade receivables, based on the invoice date, are as follows:

	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
0 — 30 days	361	1,177
31 — 60 days	29	40
61 — 90 days	9	37
Over 90 days	230	1
	629	1,255

Trading of garments and accessories are with credit terms of 30 to 90 days.

11. Trade payables

Details of the aging analysis of trade payables, based on the invoice date, are as follows:

	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
0 — 30 days	522	—
31 — 60 days	—	932
Over 90 days	1	—
	523	932

12. Convertible bonds

On 30 March 2010, the Company issued 2% convertible bonds with an aggregate nominal value of HK\$1,680,000,000. The maturity date of convertible bonds is on 30 March 2013. 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, subject to adjustment for dilutive events. The bonds carry interest at a rate of 2% per annum, which is payable annually in arrears on 30 March. Up to 31 December 2010, the convertible bonds with nominal value of HK\$823,200,000 have been converted, at a conversion price of HK\$0.22 and HK\$0.044 (as adjusted), into 850,000,000 and 14,459,090,908 ordinary shares, respectively, of HK\$0.01 each. Up to 31 December 2011, the Company has early redeemed part of the convertible bonds of HK\$490,000,000 before the maturity date. The outstanding principal amounts of the convertible bonds as at 31 December 2011 was HK\$366,800,000. There is no conversion or early redemption in respect of the convertible bonds; and thus, the outstanding principal amounts of the convertible bonds as at 30 June 2012 was HK\$366,800,000 at the adjusted conversion price of HK\$40.34 per share.

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

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	532,107	210,741	742,848
Redemption during the year	(263,458)	(98,190)	(361,648)
Interest paid	(12,169)	—	(12,169)
Interest expense	58,024	—	58,024
Interest paid upon redemption	(2,904)	—	(2,904)
At 31 December 2011	311,600	112,551	424,151
Interest expense	19,631	—	19,631
Interest paid	(7,336)	—	(7,336)
At 30 June 2012	323,895	112,551	436,446

Subsequent to 30 June 2012, upon completion of the Open Offer on 2 August 2012, the aggregate number of shares convertible and the conversion price, as adjusted to reflect the Open Offer, for the outstanding convertible bonds of principal amounts of HK\$366,800,000 were adjusted to approximately 10,119,000 ordinary shares and HK\$36.248 per share, respectively.

13. Share capital

	No. of shares	HK\$'000 (Unaudited)
Authorised:		
As at 1 January 2011	1,500,000,000,000	1,500,000
Share consolidation on 8 March 2011 (<i>note b</i>)	(1,425,000,000,000)	—
As at 6 October 2011 before capital reorganisation	75,000,000,000	1,500,000
Share Reorganisation 2 on 7 October 2011 (<i>note e</i>)	1,425,000,000,000	—
As at 31 December 2011 and as at 30 June 2012	1,500,000,000,000	1,500,000
	No. of shares	HK\$'000 (Unaudited)
Issued and fully paid:		
As at 1 January 2011	4,902,466,860	4,902
Issue of new shares through placement (<i>note a</i>)	980,000,000	980
As at 7 March 2011 before share consolidation	5,882,466,860	5,882
Share consolidation on 8 March 2011 (<i>note b</i>)	(5,588,343,517)	—
Issue of new shares through placement (<i>note c</i>)	58,000,000	1,160
Issue of rights shares (<i>note d</i>)	7,746,713,546	154,936
Share Reorganisation 2 on 7 October 2011 (<i>note e</i>)	(7,693,895,045)	(161,573)
As at 31 December 2011	404,941,844	405
Issue of shares upon placement (<i>note f</i>)	80,980,000	81
As at 30 June 2012	485,921,844	486

Notes:

- (a) On 24 January 2011, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 980,000,000 placing shares to not less than 6 independent placees at a price of HK\$0.0245 per placing share. The aggregate nominal value of the placing shares under the placing agreement would be approximately HK\$980,000. Upon the completion on 28 January 2011, the net proceeds from the placement of approximately HK\$23 million would be used for general working capital of the Group.
- (b) Pursuant to a special resolution passed on 7 March 2011, every 20 issued and unissued shares of HK\$0.001 each in the share capital of the Company was consolidated into 1 consolidated share of HK\$0.02 each. Upon the completion of the share consolidation on 8 March 2011, the number of issued shares of the Company was reduced from 5,882,466,860 shares of HK\$0.001 each to 294,123,343 shares of HK\$0.02 each.

13. Share capital (Continued)

Notes (Continued):

- (c) On 22 March 2011, the Company entered into another placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 58,000,000 placing shares to not less than 6 independent places at a price of HK\$0.25 per placing share. The aggregate nominal value of the placing shares under the placing agreement would be approximately HK\$1,160,000. Upon the completion on 31 March 2011, the net proceeds from the placement of approximately HK\$13.9 million would be used for general working capital of the Group.
- (d) On 25 July 2011, the Company issued rights shares on the basis of 22 rights shares for every 1 existing share held on 28 June 2011, at the subscription price of HK\$0.05 per rights share with nominal value of HK\$0.02 each, resulting in net proceeds of approximately HK\$374 million, which would be used for (i) the repayment of the outstanding convertible bonds; (ii) funding general working capital of the Group; and (iii) financing any future investment opportunities, if arise.
- (e) Pursuant to a special resolution passed on 7 October 2011, the Group undertook the following share reorganisation (Share Reorganisation 2):
- (i) Share Consolidation — every 20 authorised, issued and unissued shares of HK\$0.02 each in the share capital of the Company was consolidated (the “Share Consolidation”) into 1 share of HK\$0.4 each (the “Consolidated Share 2”).
- (ii) Capital reduction — subsequent to the Share Consolidation, the par value of each Consolidated Share 2 was reduced from HK\$0.02 each to HK\$0.001 each (“Capital Reduction 2”). Under the Capital Reduction 2, the issued share capital of the Company was reduced through a cancellation of the paid-up capital to the extent of HK\$0.399 on each Consolidated Share 2, resulting in the reduction of issued share capital from HK\$161,976,738, divided into 8,098,836,889 Consolidated Shares 2, to HK\$404,942 divided into 404,941,844 shares of HK\$0.01 each. The nominal value of each Consolidated Share 2 was reduced from HK\$0.04 to HK\$0.001 (“New Share”). As a result, the authorised share capital was reduced from HK\$1,500,000,000 divided into 3,750,000,000 Consolidated Shares 2 of HK\$0.4 each to HK\$3,750,000 divided into 3,750,000,000 New Shares of HK\$0.001 each. The credit amount arising from Capital Reduction 2 was transferred to the contributed surplus account of the Company.
- (iii) Increased in authorised share capital — the authorised share capital was increased from HK\$3,750,000 divided into 3,750,000,000 New Shares of HK\$0.001 each, to HK\$1,500,000,000 divided into 1,500,000,000,000 New Shares of HK\$0.001 each, by the creation of an additional 1,496,250,000,000 shares of HK\$0.001 each.

After the above Share Reorganisation 2, the Company’s issued share capital was reduced from HK\$161,976,738, divided into 8,098,836,889 shares of HK\$0.02 each, to HK\$ 404,942 divided into 404,941,844 shares of HK\$0.001 each.

- (f) On 7 March 2012, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 80,980,000 placing shares to not less than 6 independent places at a price of HK\$0.2 per placing share. The gross proceeds from the placement of shares under the placing agreement were approximately HK\$16.196 million. Upon the completion on 20 March 2012, the net proceeds from the placement was HK\$15.61 million, of which approximately HK\$7.34 million was applied to pay the interest expenses of convertible bonds, approximately HK\$3.30 million was applied as general working capital of Group and the remaining HK\$4.97 million will be used for general working capital of the Group.

13. Share capital (Continued)

Notes (Continued):

Movement after the reporting date:

- (g) Pursuant to the ordinary resolution passed during the special general meeting of the Company on 29 June 2012, an Open Offer of 1,700,726,454 ordinary shares to the shareholders of the Company at the subscription price of HK\$0.12 per Offer Share on the basis of seven (7) Offer Shares for every two (2) ordinary shares.

Subsequent to 30 June 2012, the Open Offer was completed on 2 August 2012. The gross proceeds and the net proceeds from the Open Offer were approximately HK\$204 million and HK\$196 million, respectively. The Company intends to apply such net proceeds from the Open Offer (i) as to HK\$100 million for the early redemption of the Convertible Bonds; (ii) as to HK\$40 million for cash settlement instead of issue of a Promissory Note in the same amount for the consideration in relation to the acquisition of m3 Technology Development Limited (note 18(i)); (iii) as to HK\$20 million for the development of the money lending business and (iv) as to approximately HK\$36 million for working capital of the Group.

14. 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 2012, the total number of shares available for issue under the 2002 Share Option Scheme was 1,760,616 (adjusted due to share consolidation on 7 October 2011) shares, which represented approximately 0.4% 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.

The subscription price will be determined by the Company's Board of Directors, and will be the highest of (1) the closing price of the ordinary shares as stated in daily quotation sheet issued by the Stock Exchange on the date of grant, which must be a trading day, (2) the average closing price of the ordinary shares as stated in daily quotation sheet issued by the Stock Exchange for the five trading days immediately preceding the date of grant, and (3) the nominal value of an ordinary share.

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

At 30 June 2012, a total of 234,115 (31 December 2011: 234,115) share options were still outstanding under the 2002 Share Option Scheme as follows:

	Grant date	At 1 January 2012	At 30 June 2012	Exercise period	Exercise price per share HK\$
Executive director					
Mr. Yiu Kwok Ming, Tommy	26.9.2006	43,344	43,344	30.11.2007 - 25.9.2016	5.18 (note 1 & 3)
	11.6.2008	52,041	52,041	11.6.2008 - 10.6.2018	36.94 (note 2 & 4)
Sub-total		95,385	95,385		
Other eligible employees	26.9.2006	86,689	86,689	30.11.2007 - 25.9.2016	5.18 (note 1 & 3)
	11.6.2008	52,041	52,041	11.6.2008 - 10.6.2018	36.94 (note 2 & 4)
		234,115	234,115		

Notes:

- (1) The number and the exercise price of share options which remained outstanding have been adjusted due to share consolidation of the Company with effect from 7 March 2011, 25 July 2011 and 7 October 2011, respectively (note 13(b), 13(d) and 13(e)). The exercise price per share was adjusted from HK\$0.078 to HK\$5.18.
- (2) The number and the exercise price of share options which remained outstanding have been adjusted due to share consolidation of the Company with effect from 7 March 2011, 25 July 2011 and 7 October 2011, respectively (note 13(b), 13(d) and 13(e)). The exercise price per share was adjusted from HK\$0.556 to HK\$36.94.
- (3) Subsequent to 30 June 2012, the Company has completed the Open Offer (as detailed in note 13(g)) on a basis of seven Offer Shares for two ordinary shares on 2 August 2012. Accordingly, the number of share options granted on 26 September 2006, which remained outstanding, would be adjusted from 130,033 shares to 144,714 shares and the related exercise price would be adjusted from HK\$5.18 to HK\$4.655.
- (4) Subsequent to 30 June 2012, the Company has completed the Open Offer (as detailed in note 13(g)) on 2 August 2012. Accordingly, the number of share options granted on 11 June 2008, which remained outstanding, would be adjusted from 104,082 shares to 115,833 shares and the related exercise price would be adjusted from HK\$36.94 to HK\$33.193.

15. Banking facilities

At 30 June 2012, the Group's credit facilities amounting to approximately HK\$33,000,000 (31 December 2011: HK\$59,000,000) granted by banks and a credit company were secured by the followings:

- (a) charges over bank deposits of the Group of approximately HK\$6,012,000 (31 December 2011: HK\$6,003,000);
- (b) personal guarantees of approximately HK\$53,000,000 (31 December 2011: HK\$59,000,000) and HK\$26,500,000 (31 December 2011: HK\$31,950,000), respectively, given by a director and a former director of the Company.

The guarantees given by the non-controlling shareholders was released during the period (31 December 2011: HK\$50,000,000).

16. Commitments

(a) Operating lease commitments

As lessee

At 30 June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Within one year	1,803	2,600
In the second to fifth years, inclusive	280	781
	2,083	3,381

(b) Other commitments

As at 30 June 2012, the Group had a commitment in relation to the acquisition of m3 Technology Development Limited of HK\$318 million (31 December 2011: HK\$318 million).

(c) Capital commitments

In addition to the above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Contracted, but not provided for:		
Purchase of property, plant and equipment	75	75
Authorised, but not contracted for:		
Construction cost for the mining infrastructure	475,495	475,495

17. 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:

	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Six months ended 30 June		
(a) Transactions with related parties:		
Management fee paid to a related company (note (i))	420	48
Purchase from a related company (note (i))	—	73
Commission income received from a related company (note (i))	(21)	—
(b) Members of key management during the period comprised 4 (six months ended 30 June 2011: 4) executive directors whose remuneration is amounting to HK\$884,000 (six months ended 30 June 2011: HK\$1,717,000).		

Notes:

- (i) Mr. Yiu Kwok Ming, Tommy, an non-executive director of the Company at the end of reporting period, is also a director of Ching Hing Weaving Dyeing and Printing Factory Limited, the related company. This transaction was conducted in accordance with the terms agreed between the Group and the related company.

18. Events after the reporting period

- (i) On 8 September 2011, the Company and its indirectly wholly-owned subsidiary, Sky Treasure Worldwide Limited ("Sky Treasure"), entered into an agreement with an independent third party (as the "Vendor") for the acquisition of the entire issued share capital of m3 Technology Development Limited ("m3") at a consideration of HK\$398 million. The consideration shall be settled by cash of HK\$120 million, convertible bonds of HK\$50 million and promissory note of HK\$228 million. During the year ended 31 December 2011, a deposit of HK\$80 million was paid by the Group to the Vendor.

On 26 March 2012, a supplementary agreement was entered into between the Group and the Vendor, pursuant to which, each of the parties agrees that, in respect of the cash payment in the amount of HK\$40 million to be made at acquisition date, the Group shall instead issue a promissory note in the amount of HK\$40 million in favour of the Vendor.

As at 30 June 2012, the Group has capital commitment in relation to the acquisition of m3 of HK\$318 million (31 December 2011: HK\$318 million).

Pursuant to the ordinary resolution passed during the special general meeting of the Company on 13 July 2012, the acquisition of entire share capital of m3 Technology Development Limited at a consideration of HK\$398 million was approved.

On 15 August 2012, a supplemental share purchase agreement was entered into between the Group and the Vendor, pursuant to which, the Group will pay cash payment in the amount of HK\$40 million instead of issuing of a promissory note in the amount of HK\$40 million in favour of the Vendor as referred to the supplementary agreement dated 26 March 2012.

Up to the date of approval of the interim report, the acquisition is not yet completed.

- (ii) As detailed in note 13(g), pursuant to the ordinary resolution passed during the special general meeting of the Company on 29 June 2012, an Open Offer of 1,700,726,454 ordinary shares to the shareholders of the Company at the subscription price of HK\$0.12 per Offer Share on the basis of seven (7) Offer Shares for every two (2) ordinary shares. The Open Offer was completed on 2 August 2012.

19. Comparative amounts

Certain comparative amounts have been reclassified and restated to conform with the current period presentation. As explained in note 8 to the interim report, the basic loss per share for the six months ended 30 June 2011 had been adjusted to reflect the share consolidation on 7 October 2011 and the Open Offer of seven Offer shares for two ordinary shares subsequent to the end of reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was principally engaged in the sales of fabrics, garments and accessories, iron and titanium exploration, development and mining in the PRC, securities investment, money lending and the sales of design products during the period under review.

FINANCIAL RESULTS

The Group's unaudited consolidated loss attributable to owners of the Company for the six months ended 30 June 2012 was HK\$48.0 million compare with the attributable loss of HK\$40.8 million in the same period last year. The loss was mainly attributable to the decrease in other income and turnover with the change in the sales team of a subsidiary and the increase of the administrative expense in money leading business and the fashion business.

For the first half of financial year of 2012, the Group unaudited turnover was HK\$5.2 million, representing a 74% decrease over the corresponding figure of HK\$19.7 million in the same period last year. The decrease was primarily inflecting in lower average selling price and sales volume, revenue from the production and sales of garment due to the difficult economic environment in Europe caused by factors including concerns over default of European debts has led to lower consumer confidence and demand for textile products. Nevertheless, the decrease in average selling price of products negatively impacted the revenue from production and sales of garment and accessories of approximately HK\$2.6 million, resulting in a decrease of approximately 87% as compared with the same period last year. However, the Group has undergone re-positioning of sales and marketing efforts and strategies to fully capture macro market opportunities.

Administrative expenses of the Group for the six months ended 30 June 2012 with increase significantly to approximately HK\$31.9 million, representing an increase of 284% as compared with HK\$8.3 million of the same period last year. The level of total operating expenses increased is mainly reflecting additional legal and professional fees incurred for the acquisition of the technology business, increase in total staff benefits including salaries and other staff costs paid to the Directors and administrative staff due to the developing the fashion business expansion.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011:Nil).

REVIEW OF OPERATION

Sale of Fabrics, Garments and Accessories

For the first half of financial year 2012, buffeted by financial turbulence, the global economic recovery was progressed slowly and erratically. The ongoing European sovereign debt crises have seriously dampened customer's confidence. The economic woes and unfavorable consumer sentiment have adversely affected the apparel industry as retail customers are also more closely watching their budgets. Against the backdrop, the Group experienced a severe deterioration in US sales orders during the first half of 2012. The turnover of the Group plummeted by 87% to HK\$2.6 million for the six months ended 30 June 2012 compared with the same period last year.

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.

On 31 December 2011, the Group engaged an independent valuer, to assess the recoverable amount of the exploration and evaluation asset, pursuant to their valuation report, an impairment loss of approximately HK\$160,829,000 on the exploration and evaluation assets was made by the Group.

During the period under review, the application for the PRC approval of the Mine is still in progress and the Group did not have any operation in mining business. Meanwhile, the Group has submitted the application for the licence to the relevant authorities in order to commence the production in the upcoming future. The approval procedures were still in progress as at 30 June 2012 but the Group expected the licence will be obtained in next year. There is no change in the mining plan since 31 December 2011 and the directors are of the opinion that the progress is in line with the mining plan and the Group will obtain all the required licences and approvals by the end of 2013.

During the period under review, the mining business recorded a loss of approximately HK\$1.0 million, which was mainly attributable to administrative expenses.

The Group owns the mining rights with a total area of 7.89 square km. During the period under review, details of the resources and reserves are shown below:

Resources and Reserves of the iron ("TFe") and titanium dioxide ("TiO₂") mines under the JORC Code

(a) Resource summary (includes reserves)

	Tonnage (Mt)	Grades		Contained metals	
		TFe (%)	TiO ₂ (%)	TFe (Kt)	TiO ₂ (Kt)
Taoyuan area					
Measured and indicated	40.7	29.4	13.9	11,966	5,655
Inferred	18.2	29.9	13.6	5,442	2,475
Dazuomugou area					
Measured and indicated	9.9	29.5	13.0	2,920	1,287
Inferred	11.1	29.1	13.9	3,230	1,543

(b) Reserve summary

	Tonnage (Mt)	Grades		Contained metals	
		TFe (%)	TiO ₂ (%)	TFe (Kt)	TiO ₂ (Kt)
Taoyuan area					
Proved	21.5	29.4	14.0	6,321	2,996
Probable	19.2	29.4	13.8	5,645	2,650
Dazuomugou area					
Proved	—	—	—	—	—
Probable	9.9	29.5	13.0	2,920	1,287

There is no material change in the estimated reserves and resources of the Group's iron and titanium dioxide mines as of six months ended 30 June 2012, and the estimated iron and titanium dioxide reserves and resources as of 31 December 2011 are set out in the table above.

Fashion design

Since the business was just started in the late 2011, it recorded a loss of HK\$4.3 million for the six months ended 30 June 2012, which was mainly attributable to the administrative expense of developing the fashion business.

Trading of Securities

During the first half year of 2012, the stock market in Hong Kong remained weak and fluctuated due to the economic downturn in the United States and triggered by the unresolved European debt issue. Hence, the Group's securities portfolio has suffered a loss on trading of securities of approximately HK\$380,270 for the six months ended 30 June 2012.

Money lending business

The money leading business segment generated interest income of HK\$2 million for the six months ended 30 June 2012 whilst the Group had not yet commenced such business for the six months ended 30 June 2011.

The market has also become more aware of the Group's loan products and services and more customers have approached the Group for financing services during the period under review which increase business opportunities of the Group. In the meantime, the Group shall endeavor to expand its loan portfolio by broadening customer and revenue bases according to the prevailing market conditions and observing our different customers' financial needs.

Directors' Interest in Securities

As at 30 June 2012, the directors or their associates have the following interest 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"):

Share — long position

The Company:

Name of director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Yiu Kwok Ming, Tommy	51,812	—	—	—	51,812

Interest in underlying share

The directors of the company have been granted options under the Company's share option scheme, details of which are set out in note 14 to the condensed consolidated interim financial statements.

Save as disclosed above and note 14 to the interim financial information, 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 right 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

As at 30 June 2012, there was 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 2012
Maple Creation Limited (Notes a and c)	8,646,504	1.77%
Lee Chi Kit (Notes b and c)	446,207	0.09%

Notes:

- (a) Maple Creation Limited is legally and beneficially owned as to 100% by Mr. Fung Man Chun. As at 30 June 2012, it held HK\$348,800,000 convertible bonds of the Company.
- (b) As at 30 June 2012, Mr. Lee Chi Kit held HK\$18,000,000 convertible bonds of the Company.
- (c) The interest 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\$40.34 per share.

Liquidity and Financial Resources

As at 30 June 2012, the Group had total assets of HK\$1,747 million which were financed by total liabilities of HK\$354 million and total equity of HK\$1,393 million. Accordingly, the Group's ratio of debts to total assets and debts to equity are 20.3% (31 December 2011: 19.3%) and 25.4% (31 December 2011: 24.0%), respectively.

The Group generally financed its operation by internal cash resources, bank financing and several fund raising activities, including placing of new shares. As at 30 June 2012, the Group had cash on hand, bank deposits and bank balances for an aggregate amount of about HK\$23.7 million (of which about HK\$6 million was pledged with banks for trade finance facilities for the Group) and unutilised banking facilities for a total amount of about HK\$32.9 million.

CAPITAL STRUCTURE

Placing

The Directors stated that the garment business is facing a downturn due to the weak economic conditions in Europe and the United States. For the retail fashion and money lending business, it is still at beginning stage and cannot generate sufficient income to support the Group. Hence the Company required raising working capital by mean of Placing.

On 7 March 2012, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 80,980,000 placing share to not less than 6 independent Places at a price of HK\$0.20 per placing share. The aggregate nominal value of the placing agreement will be approximately HK\$16.2 million. The net proceeds from the placement of approximately HK\$7.34 million was applied to pay the interest expenses of the convertible bonds and approximately HK\$3.30 million was applied as general working capital of the Group and the remaining net proceeds amounted to approximately HK\$4.97 million which will be used for general working capital of the Group.

Open offer

On 10 May 2012, the Company proposed to raise approximately HK\$204 million, before expenses, by issuing 1,700,726,454 Offer Shares at the subscription price of HK\$0.12 per Offer Share on the basis of seven Offer Shares for every two Shares held by the Qualifying Shareholders on the 10 July 2012 and payable in full on acceptance. The company intends to apply such net proceeds from the Open Offer as to HK\$100 million for the early redemption of the Convertible Bonds, approximately HK\$40 million for cash settlement instead of issue of the Promissory Note in the same amount for the consideration in relation to the acquisition of m3, as to HK\$20 million for the development of the money lending business, approximately HK\$24 million for the working capital of the Group and as to HK\$12 million for working capital of m3 Technology if and when the acquisition of m3 Technology completes.

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

PLEDGE OF ASSETS

As at 30 June 2012, the Group's bank deposits of approximately HK\$6 million were pledged with banks for banking facilities of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRADING SCHEMES

As at 30 June 2012, the Group employed about 28 employees including sales and merchandising, accounting and administrative staff in Hong Kong and the PRC. The total staff costs and directors' remuneration for the six months ended 2012 were HK\$7.3 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

On 8 September 2011, the Company and its indirect wholly-owned subsidiary, Sky Treasure Worldwide Limited ("ST"), entered into a Supplemental Share Purchase Agreement with an independent third party (as the vendor) for the acquisition of the entire issued share capital of m3 at a consideration of HK\$398 million. m3 is principally engaged in the supply of telecommunication and information technology services. The business overview for the technology industry has also been considered favorable. The Group viewed this as providing the opportunity for the Group to penetrate the technology industry and to diversify its existing business. Currently, the Group is preparing the circular in relation to the acquisition to be dispatched to the shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the directors of the Company is aware of information that would reasonable indicated that the Company is not, or was not throughout the accounting period, 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 a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. As confirmed by all directors after specific enquiry, all directors have complied with required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors, namely, Mr. Chan Hon Yuen, Mr. Ng Lok Kei, Mr. Liang Jin An and Mr. To Yan Ming, Edmond. The Audit committee has reviewed the Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2012. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

REMUNERATION COMMITTEE

The Remuneration Committee was established to determine the compensation structure and rewards for the CEO and other executive directors and monitors the policies being applied in remunerating other senior executives. The Remuneration Committee comprises four independent non-executive directors, namely Mr. Liang Jin An (Chairman of the Committee), Mr. Ng Lok Kei and Mr. Chan Hon Yuen, Mr. To Yan Ming Edmond and one executive director, namely Mr. Wong Man Pan. 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. Wong Man Pan
Mr. Yim Hin Keung
Mr. Tsang King Sun
Mr. Fu Zhenjun (*appointed on 23 March 2012*)
Mr. Yiu Kwok Ming, Tommy (*re-designated as non-executive director on 3 January 2012*)

Non-executive directors:

Mr. Yiu Kwok Ming, Tommy (*re-designated as non-executive director on 3 January 2012*)

Independent non-executive directors:

Mr. Liang Jin An
Mr. Ng Lok Kei
Mr. Chan Hon Yuen
Mr. To Yan Ming, Edmond (*appointed on 24 April 2012*)