



MASTERMIND CAPITAL LIMITED

慧德投資有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 905)



Interim Report

2012

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. MUNG Kin Keung (*Chairman*)
Mr. TANG Hao (*Chief Executive Officer*)
Mr. HA Wing Ho, Peter
Mr. CHEE Man Sang, Eric
Mr. Michael STOCKFORD
Mr. MUNG Bun Man, Alan

Independent Non-executive Directors:

Mr. LO Tak Kin
Ms. YU Tin Yan, Winnie
Mr. Patrick LEE

COMPANY SECRETARY

Mr. MA Man Pong

INVESTMENT MANAGER

OP Investment Management Limited

PRINCIPAL BANKER

Shanghai Commercial Bank Ltd.

AUDITORS

BDO Limited
Certified Public Accountants

LEGAL ADVISERS

Hong Kong Law
Mason Ching & Associates

Cayman Islands Law
Maples and Calder Asia

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1102C, 11th Floor
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong
Limited: 905

COMPANY WEBSITE

www.mastermindcapitalhk.com

The Board of Directors (the “Board”) of Mastermind Capital Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	Notes	Six months ended 30th June,	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	29	13
Other net income/(loss)	4	60	(310)
Administrative expenses		(3,837)	(15,882)
Loss before income tax	6	(3,748)	(16,179)
Income tax expense	7	(1)	–
Loss for the period attributable to owners of the Company		(3,749)	(16,179)
Loss per share	8		
– Basic (HK cents)		(0.17)	(0.76)
– Diluted (HK cents)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th June, 2012

	Six months ended 30th June,	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Loss for the period	(3,749)	(16,179)
Other comprehensive income		
Change in fair value of available-for-sale financial assets	309	121
Exchange difference on translation of financial statements of foreign subsidiaries	7	23
Other comprehensive income for the period	316	144
Total comprehensive income for the period attributable to owners of the Company	(3,433)	(16,035)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2012

	Notes	30th June, 2012 HK\$'000 (Unaudited)	31st December, 2011 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	644	797
Available-for-sale financial assets	10	26,592	26,282
Deposits paid	11	53,400	53,400
		80,636	80,479
Current assets			
Prepayments		171	43
Other receivables		1,800	1,897
Financial assets at fair value through profit or loss	12	4,179	4,119
Cash and cash equivalents		15,675	19,675
		21,825	25,734
Current liabilities			
Accruals and other payables		(669)	(909)
Amount due to a related company		(125)	(125)
Provision for tax		-	(73)
		(794)	(1,107)
Net current assets		21,031	24,627
Total assets less current liabilities/ Net assets		101,667	105,106
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	54,947	54,947
Reserves		46,720	50,159
Total equity		101,667	105,106

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2012

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Translation reserve* HK\$'000	Available-for-sale financial assets revaluation reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000
At 1st January, 2012 (Audited)	54,947	190,363	11,807	75	(220)	(151,866)	105,106
Transactions with owners							
Share expense	-	(6)	-	-	-	-	(6)
Loss for the period	-	-	-	-	-	(3,749)	(3,749)
Other comprehensive income							
Change in fair value of available-for-sale financial assets	-	-	-	-	309	-	309
Exchange difference on translation of financial statements of foreign subsidiaries	-	-	-	7	-	-	7
Total comprehensive income for the period	-	-	-	7	309	(3,749)	(3,433)
30th June, 2012 (Unaudited)	54,947	190,357	11,807	82	89	(155,615)	101,667

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company						
	Share capital	Share premium*	Share option reserve*	Translation reserve*	Fair value reserve for available-for-sale financial assets*	Accumulated losses*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2011 (Audited)	53,280	178,563	-	41	548	(130,025)	102,407
Loss for the period	-	-	-	-	-	(16,179)	(16,179)
Other comprehensive income							
Change in fair value of available-for-sale financial assets	-	-	-	-	121	-	121
Exchange difference on translation of financial statements of foreign subsidiaries	-	-	-	23	-	-	23
Total comprehensive income for the period	-	-	-	23	121	(16,179)	(16,035)
Equity-settled share option arrangements	-	-	11,807	-	-	-	11,807
At 30th June, 2011 (Unaudited)	53,280	178,563	11,807	64	669	(146,204)	98,179

* These reserve accounts comprise the consolidated reserves of approximately HK\$46,720,000 in the consolidated statement of financial position as at 30th June, 2012 (at 30th June, 2011: approximately HK\$44,899,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2012

	Six months ended 30th June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash used in operating activities	(4,030)	(3,531)
Net cash generated from/(used in) investing activities	29	(17,810)
Net cash used in financing activities	(6)	–
Net decrease in cash and cash equivalents	(4,007)	(21,341)
Cash and cash equivalents at beginning of the period	19,675	44,528
Effect of foreign exchange rate changes	7	23
Cash and cash equivalents at end of the period	15,675	23,210

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

1. General information and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is Room 1102C, 11th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

Principal activities of the Company and its subsidiaries (the "Group") include the investments in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China (the "PRC"), excluding Hong Kong.

The unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2012 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Interim Financial Statements are unaudited but have been reviewed by the audit committee of the Company.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2011 annual financial statements.

The accounting policies and method of computation adopted in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

The Interim Financial Statements were approved for issue by the Board on 29th August, 2012.

2. Summary of significant accounting policies

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. The accounting policies adopted in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011, except for the adoption of the amended Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

Adoption of Revised HKFRSs – effective from 1st January, 2012

In the current period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st January, 2012.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of the amendments to HKFRS 7 did not result in significant changes in the Group's accounting policies.

3. Revenue

	Six months ended 30th June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest income	29	13

4. Other net income/(loss)

	Six months ended 30th June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Fair value gain/(loss) on financial assets at fair value through profit or loss	60	(896)
Gain on disposal of financial assets at fair value through profit or loss	–	586
	60	(310)

5. Segment information

No segment information is presented as all of the revenue, contribution to operating results, assets and liabilities of the Group are attributable to activities which are carried out or originated principally in Hong Kong.

6. Loss before income tax

	Six months ended 30th June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:		
Directors' remuneration	1,110	1,020
Depreciation on owned assets	153	153
Investment management fees	250	250
Staff costs	631	655
Operating lease charges on an office premise	137	137
Equity-settled share option expense	-	11,807

7. Income tax expense

No Hong Kong profits tax has been provided for the six months ended 30th June, 2012 and 2011 as the Group has no assessable profits.

	Six months ended 30th June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Hong Kong		
– Current tax	-	-
– Under-provision in respect of prior year	1	-
Income tax expense	1	-

8. Loss per share

The calculation of basic loss per share for the six months ended 30th June, 2012 is based on the loss attributable to owners of the Company of approximately HK\$3,749,000 (six months ended 30th June, 2011: approximately HK\$16,179,000) and 2,197,866,000 (six months ended 30th June, 2011: 2,131,200,000) ordinary shares in issue during the period.

No adjustment has been made to the loss per share amount presented for the periods ended 30th June, 2011 and 2012 in respective of a dilution as the impact of the exercise of the share options has an anti-dilutive effect on the basic loss per share amount presented.

9. Property, plant and equipment

	Motor vehicle HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 31st December, 2010 and at 1st January, 2011 (Audited)			
Cost	1,500	24	1,524
Accumulated depreciation	(425)	(3)	(428)
Net book amount	1,075	21	1,096
Year ended 31st December, 2011 (Audited)			
Opening net book amount	1,075	21	1,096
Additions	–	6	6
Depreciation	(300)	(5)	(305)
Closing net book amount	775	22	797
At 31st December, 2011 (Audited)			
Cost	1,500	30	1,530
Accumulated depreciation	(725)	(8)	(733)
Net book amount	775	22	797
At 31st December, 2011 and 1st January, 2012 (Audited)			
Cost	1,500	30	1,530
Accumulated depreciation	(725)	(8)	(733)
Net book amount	775	22	797
Period ended 30th June, 2012 (Unaudited)			
Opening net book amount	775	22	797
Depreciation	(150)	(3)	(153)
Closing net book amount	625	19	644
At 30th June, 2011 (Unaudited)			
Cost	1,500	30	1,530
Accumulated depreciation	(875)	(11)	(886)
Net book amount	625	19	644

10. Available-for-sale financial assets

	30th June, 2012 HK\$'000 (Unaudited)	31st December, 2011 HK\$'000 (Audited)
Listed equity securities, at fair values	1,896	1,586
Unlisted equity securities, at cost less impairment	24,696	24,696
	26,592	26,282

11. Deposits paid

	30th June, 2012 <i>HK\$'000</i> (Unaudited)	31st December, 2011 <i>HK\$'000</i> (Audited)
At 1st January <i>(Note (i))</i>	53,400	30,000
Additions <i>(Note (ii))</i>	-	23,400
	53,400	53,400

Notes:

- (i) On 16th September, 2010, the Company entered into non-binding memorandum of understandings ("MOUs") with vendors for the acquisition of equity interests in three investment projects in the PRC, with deposits paid of HK\$10,000,000 for each of the investment projects. According to the MOUs, Mr. MUNG Kin Keung, an executive director and the chairman of the Company, has provided a personal guarantee on the deposits paid as security in the event that the vendors are unable to fulfil their responsibilities under the MOUs.

On 8th April, 2011, the Company entered into a letter of intent with the vendor to extend the expiry date of one of the MOUs. Subsequently, the respective acquisition of equity interest in the investment project has not been executed or completed. On 21st March, 2012, the Company and the vendor entered into an agreement to terminate the acquisition, and the vendor agreed to refund the deposit of HK\$10 million and the premium of HK\$3 million to the Company on or before 30th June, 2012. On 29th June, 2012, a supplemental agreement was entered between the Company and vendor to extend the refund of the said deposit and premium on or before 31st December, 2012, which provides that, in the event that the vendor can introduce investment project which is accepted by the Company by 31st December, 2012, it will only be required to refund the deposit of HK\$10 million.

No premium has been recognised as income during the period as the Board is in the view that investment project is more likely to be introduced on or before 31st December, 2012.

On 8th April, 2011, the Company entered into a sale and purchase agreement (the "Agreement 1") with an individual and the vendor upon the expiry of one of the MOUs. Pursuant to the Agreement 1, the individual provided personal guarantee in favour of the Company the due and punctual performance of the Agreement 1. In the event that completion of Agreement 1 does not take place, the individual shall refund the related deposit of HK\$10 million plus a premium of HK\$3 million in total to the Company. Subsequently, the Agreement 1 was not completed as certain conditions precedents to the execution of the Agreement 1 have not been fulfilled. On 21st March, 2012, the Company entered into an agreement with the vendor to terminate the acquisition, and the vendor agreed to refund the deposit of HK\$10 million, the premium of HK\$3 million and an equivalent to dividend amounting to approximately HK\$0.9 million to the Company on or before 30th June, 2012. On 29th June, 2012, a supplemental agreement was entered between the Company and vendor to extend the refund of the said deposit and returns on or before 31st December, 2012, which provides that, in the event that the vendor can introduce investment project which is accepted by the Company by 31st December, 2012, it will only be required to refund the deposit of HK\$10 million.

11. Deposits paid (Continued)

Notes: (Continued)

- (i) No said returns has been recognised as income during the period as the Board is in the view that investment project is more likely to be introduced on or before 31st December, 2012.

On 8th April, 2011, the Company entered into four other sale and purchase agreements (the "Agreements 2") with the vendor upon the expiry of the remaining MOU. According to the Agreements 2, two individuals provided personal guarantees in favour of the Company the due and punctual performance of the Agreements 2. Subsequently, the Agreements 2 was not completed as certain conditions precedents to the execution of the Agreements 2 have not been fulfilled. On 21st March, 2012, the Company entered into an agreement with the vendor to terminate the acquisition, and the vendor agreed to refund the deposit of HK\$10 million, the premium of HK\$3 million and an equivalent to dividend amounting to approximately HK\$6.27 million to the Company on or before 30th June 2012. On 29th June, 2012, a supplemental agreement was entered between the Company and vendor to extend the refund of the said deposit and returns on or before 31st December, 2012, which provides that, in the event that the vendor can introduce investment project which is accepted by the Company by 31st December, 2012, it will only be required to refund the deposit of HK\$10 million.

No said returns has been recognised as income during the period as the Board is in the view that investment project is more likely to be introduced on or before 31st December, 2012.

- (ii) On 11th April, 2011, the Company signed a Chinese non-binding framework agreement (the "Framework Agreement") with two vendors for the acquisition of the petrochemical related business in the PRC, with a refundable deposit paid of US\$3 million (equivalent to approximately HK\$23.4 million). Subsequently, the Framework Agreement has not been completed or executed. On 27th March, 2012, the Company entered into an agreement with the vendors to terminate the acquisition, and the vendors agreed to refund the deposit of HK\$23.4 million to the Company on or before 30th June, 2012. A supplemental agreement was entered on 30th June, 2012 between the Company and vendors to extend the refund of the said deposit on or before 31st December, 2012.

12. Financial assets at fair value through profit or loss

	30th June, 2012 <i>HK\$'000</i> (Unaudited)	31st December, 2011 <i>HK\$'000</i> (Audited)
Listed equity securities in Hong Kong held for trading, at fair value	4,179	4,119

13. Share capital

	30th June, 2012 (Unaudited)		31st December, 2011 (Audited)	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.025 each	<u>4,000,000,000</u>	<u>100,000</u>	<u>4,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.025 each	<u>2,197,866,000</u>	<u>54,947</u>	<u>2,197,866,000</u>	<u>54,947</u>

There were no movements of ordinary shares during the period ended 30th June, 2012.

14. Related party transactions

The Group had the following significant transactions with related parties during the period.

	Notes	Six months ended 30th June,	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Office rental paid/payable to a related company	(a)	<u>137</u>	<u>137</u>
Investment management fees paid/ payable to OP Investment Management Limited (formerly known as OP Calypso Capital Limited) ("OPIM")	(b)	<u>250</u>	<u>250</u>

- (a) Office rental paid/payable to a related company, in which Mr. MUNG Kin Keung is a common director and a shareholder of the related company and the Company. The office rental was charged in accordance with the terms negotiated between the relevant parties.
- (b) On 30th April, 2010, the Company entered into an investment management agreement (the "Existing Agreement") with OPIM for a period of one year, with effect from 13th May, 2010. OPIM was appointed as investment manager of the Company to provide asset management services for the Company. The investment management fee was HK\$500,000 per annum. The fee was charged in accordance with the terms negotiated between the relevant parties.

During the year 2011, the Board has approved the appointment of OPIM as the Company's investment manager for a period commencing on the expiry of the Existing Agreement, effectively from 13th May, 2011 to 30th September, 2012 as the new investment management agreement was under negotiating between OPIM and the Company. The terms of the appointment during the period are substantially the same as those contained in the Existing Agreement.

15. Contingencies

The Group had no material contingent liabilities at the statement of financial position dates.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the period, the Group recorded a loss attributable to owners of the Company of approximately HK\$3,749,000, compared to loss attributable to owners of the Company of approximately HK\$16,179,000 in the corresponding period of 2011.

Investment review

As at 30th June, 2012, the major investments of the Group were HK\$6,075,000 of a portfolio of listed equity securities and HK\$24,696,000 of direct investment in unlisted equity securities. The investment portfolio of the Group comprises equity securities in Hong Kong, Canada and the PRC.

Liquidity and Financial Resources

As at 30th June, 2012, the Group had cash and cash equivalents approximately HK\$15,675,000 (as at 31st December, 2011: approximately HK\$19,675,000).

As at 30th June, 2012, the Group had net current assets of approximately HK\$21,031,000, as compared to approximately HK\$24,627,000 as at 31st December, 2011.

As at 30th June, 2012, the current ratio of the Group was 27.49 compared to 23.25 at 31st December, 2011.

The Group had no borrowing as at 30th June, 2012 (as at 31st December, 2011: Nil).

Pledge of assets

As at 30th June, 2012, the Group had no pledged of assets to bank to secure any banking facilities (as at 31st December, 2011: Nil).

Capital commitment and contingent liabilities

As at 30th June, 2012 and 31st December, 2011, the Group had no material capital commitment and contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Foreign exchange exposure

Most of the investments and the business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange exposure is minimal.

Staff costs

The Group's total staff costs (including directors' emoluments) for the period ended 30th June, 2012 amounted to approximately HK\$1,741,000 (six months ended 30th June, 2011: approximately HK\$1,675,000).

Prospects

The European debt crisis, the concern over the slow down of United States, Europe and the PRC are still major obstacles for the global economy. Under such atmosphere, the Board will be more prudent to seek for investment opportunities in different business sectors at an acceptable risk level with a view of improving its business performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2012, the interests and short positions of the directors of the Company (the "Directors") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to 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 Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

Interests in shares and underlying shares of the Company

Name of directors	Capacity	Number of shares held		Number of share	% of total		Note
		Personal interests	Corporate interests	options held	Total interests	issued shares as at 30th June, 2012	
				Personal interests			
MUNG Kin Keung	Interest in controlled corporation	-	780,000,000	-	780,000,000	35.49	1
	Beneficial owner	-	-	21,000,000	21,000,000	0.96	2
TANG Hao	Beneficial owner	155,200,000	-	17,000,000	172,200,000	7.83	2
HA Wing Ho, Peter	Beneficial owner	-	-	15,000,000	15,000,000	0.68	2
CHEE Man Sang, Eric	Beneficial owner	-	-	15,000,000	15,000,000	0.68	2
Michael STOCKFORD	Beneficial owner	-	-	15,000,000	15,000,000	0.68	2
MUNG Bun Man, Alan	Beneficial owner	-	-	15,000,000	15,000,000	0.68	2
LO Tak Kin	Beneficial owner	-	-	1,500,000	1,500,000	0.07	2
YU Tin Yan, Winnie	Beneficial owner	-	-	1,500,000	1,500,000	0.07	2
Patrick LEE	Beneficial owner	-	-	1,500,000	1,500,000	0.07	2

Notes:

- These shares were registered in the name of and were beneficially owned by China Tian Di Xing Logistics Holdings Limited ("TDX"), a company in which Mr. MUNG Kin Keung ("Mr. Mung"), an executive director and chairman of the Company, holds 99.99% equity interests. Therefore, Mr. Mung is deemed to have an interest in the shares in which TDX is interested.
- These represented the share options granted by the Company to the respective Directors, the details of which are provided in the section headed "Share Option Scheme" in this report.

Other than those disclosed above and in the section headed "Share Option Scheme", at no time during the six months ended 30th June, 2012 was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

Save as disclosed above, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Other than the interests disclosed under the section "Directors' interests and short positions in shares, underlying shares and debentures of the Company and associated corporations", at 30th June, 2012, so far as was known to the Directors, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's shares and underlying shares to record in the register of substantial shareholders maintained under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares held	Note	% of issued shares as at 30th June, 2012
Link Chance Investment (Hong Kong) Limited	Beneficial owner	300,000,000	1	13.65%
Searainbow Holding Corporation	Interest in controlled corporation	300,000,000	1	13.65%
Greater China Special Value Fund	Beneficial owner	123,200,000	2	5.61%
OP Calypso Capital (Cayman) Limited	Investment manager	123,200,000	2	5.61%

Notes:

- These shares were registered in the name of and were beneficially owned by Link Chance Investment (Hong Kong) Limited ("Link Chance"), a company in which Searainbow Holding Corporation ("Searainbow"), a company listed on The Shenzhen Stock Exchange, is the parent company of Link Chance. Therefore, Searainbow is deemed to have an interest in the shares in which Link Chance is interested.
- Greater China Special Value Fund (the "GCSV Fund") which holds 123,200,000 shares of the Company, is managed by OP Calypso Capital (Cayman) Limited ("OPCCCL") Therefore, OPCCCL is deemed to have an interest in the shares in which the GCSV Fund is interested.

SHARE OPTION SCHEME

By passing of an ordinary resolution at the extraordinary general meeting on 12th January, 2009, the Board adopted a new share option scheme (the “New Scheme”) and simultaneously terminated the share option scheme adopted on 23rd May, 2002 (the “Old Scheme”). An ordinary resolution was passed by the shareholders at the annual general meeting of the Company held on 30th June, 2010 to amend the New Scheme.

The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee with weekly working hours of 15 hours or above of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

The directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12th January, 2009.

SHARE OPTION SCHEME (Continued)

Details of movement of the share options of the Company under the New Scheme for the six months ended 30th June, 2012 are set out below:

Grantees	Date of grant of share options	Expiry date of share options	Exercise price	Number of share options				
				Balance as at 1st January, 2012	Granted	Exercised	Cancelled	Balance as at 30th June, 2012
Directors								
MUNG Kin Keung	15.4.2011	14.04.2021	HK\$0.27	21,000,000	-	-	-	21,000,000
TANG Hao	15.4.2011	14.04.2021	HK\$0.27	17,000,000	-	-	-	17,000,000
HA Wing Ho, Peter	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
CHEE Man Sang, Eric	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
Michael STOCKFORD	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
MUNG Bun Man, Alan	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
LO Tak Kin	15.4.2011	14.04.2021	HK\$0.27	1,500,000	-	-	-	1,500,000
YU Tin Yan, Winnie	15.4.2011	14.04.2021	HK\$0.27	1,500,000	-	-	-	1,500,000
Patrick LEE	15.4.2011	14.04.2021	HK\$0.27	1,500,000	-	-	-	1,500,000
				<u>102,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,500,000</u>
Employees								
In aggregate	15.4.2011	14.04.2021	HK\$0.27	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000,000</u>
Other grantees								
In aggregate	15.4.2011	14.04.2021	HK\$0.27	<u>11,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,500,000</u>
TOTAL				<u>144,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,000,000</u>

Note: On 15th April, 2011, the Company granted 144,000,000 share options to the grantees under the New Scheme at the exercise price of HK\$0.27 each. The share options are exercisable for the period from 15th April, 2011 to 14th April, 2021 (both dates inclusive).

The grant of 21,000,000 share options to Mr. Mung was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 15th June, 2011.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with Rule 3.21 of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the interim report for the six months ended 30th June, 2012 with the Directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) (the “CG Code”) as set out in Appendix 14 of the Listing Rules during the period except for the following deviations: -

Code provision A.4.1

The code provision A.4.1 of the CG Code states that non-executive directors should be appointed for a specific term to election.

After the expiry of the service contract, the appointment of the independent non-executive directors of the Company (the “INEDs”) shall continue with no specific term. They are, however, subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the “Articles of Association”).

Each INED has, pursuant to the guidelines set out in Rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association.

Code provision A.6.7

The code provision A.6.7 of the CG Code states that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to her personal commitment, Ms. YU Tin Yan, Winnie, an INED, was unable to attend the annual general meeting of the Company held on 22nd June, 2012 (the “Annual General Meeting”).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code provision E.1.2

The code provision E.1.2 of the CG code states that the chairman of the Board should attend the annual general meeting of the Company.

Due to other business commitment, Mr. MUNG Kin Keung, the chairman of the Board, was unable to attend the Annual General Meeting. However, arrangements including the attendance of another member of the Board had been in place to ensure the Annual General Meeting was in order.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of 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 the Model Code during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

By Order of the Board
Mastermind Capital Limited
MUNG Kin Keung
Chairman and Executive Director

Hong Kong, 29th August, 2012