亞洲資產(控股)有限公司
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8025)

Interim Report 2012

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

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

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

This report, for which the directors of Asian Capital Resources (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Asian Capital Resources (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this report, the executive directors of the Company are Mr. Xie Xuan (Chairman), and Mr. Qiu Yue; the non-executive director is Mr. Lo Mun Lam Raymond (Vice Chairman); and the independent non-executive directors are Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of directors (the "Board") of Asian Capital Resources (Holdings) Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 June 2012 together with the comparative figures for the corresponding periods in 2011 as follows:

		For the three months ended 30 June		**For the six months ended 30 June**	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**1,459**	1,413	**2,941**	3,188
Cost of services		**(394)**	(282)	**(780)**	(1,486)
Gross profit		**1,065**	1,131	**2,161**	1,702
Other revenue		**—**	—	**—**	—
Interest income		**—**	1	**—**	2
Staff costs		**(314)**	(588)	**(761)**	(1,336)
Operating lease rentals		**(62)**	(62)	**(126)**	(113)
Other operating expenses		**(1,000)**	(485)	**(1,399)**	(1,008)
Depreciation and amortization		**(2,893)**	(4,919)	**(5,789)**	(9,813)
Loss from operating activities		**(3,204)**	(4,922)	**(5,914)**	(10,566)
Finance costs		**(280)**	(255)	**(562)**	(502)
Loss before taxation		**(3,484)**	(5,177)	**(6,476)**	(11,068)
Taxation	*3*	**(87)**	40	**(176)**	557
Loss for the period		**(3,571)**	(5,137)	**(6,652)**	(10,511)
Attributable to:					
Equity holders of the Company		**(3,792)**	(5,140)	**(7,275)**	(10,633)
Non controlling interest		**221**	3	**623**	122
		(3,571)	(5,137)	**(6,652)**	(10,511)
Loss per share					
— Basic	*4*	**(0.35 cents)**	(0.50 cents)	**(0.67 cents)**	(1.04 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited As at 30 June 2012 *HK$'000***	Audited As at 31 December 2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**967**	1,130
Intangible Assets		**35,233**	40,653
		36,200	41,783
Current assets			
Trade and other receivables	*5*	**9,355**	8,121
Cash and bank balances		**769**	655
		10,124	8,776
Current liabilities			
Trade and other payables	*6*	**(36,831)**	(36,172)
Convertible Notes		**(61,715)**	(61,715)
Amount due to a director		**(5,968)**	—
Tax payable		**(1,414)**	(1,238)
		(105,928)	(99,125)
Net current assets/(liabilities)		**(95,804)**	(90,349)
Total assets less current liabilities		**(59,604)**	(48,566)

	Notes	**Unaudited** **As at** **30 June** **2012** ***HK$'000***	Audited As at 31 December 2011 *HK$'000*
Non-current liabilities			
Amount due to a director		**—**	(5,276)
Amount due to immediate holding company	*7*	**(22,301)**	(21,411)
Deferred Tax Liabilities		**(11,973)**	(11,973)
		(34,274)	(36,660)
Net (liabilities)/assets		**(93,878)**	(87,226)
Capital and reserves			
Share capital		**108,269**	108,269
Reserves		**(214,718)**	(207,443)
(Deficit)/Equity attributable to shareholders of the Company		**(106,449)**	(99,174)
Minority interests		**12,571**	11,948
Total (deficit)/equity		**(93,878)**	(87,226)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 June 2012 and the six months ended 30 June 2011:

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Translation reserves	Convertible notes reserve	Accumulated reserve	Sub-total	Non-Controlling Interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2011	98,842	124,060	26,020	(3,456)	11,979	(378,075)	(120,630)	30,213	(90,417)
Movement for the period	9,427	8,480	—	—	(2,821)	(10,511)	4,575	122	4,697
As at 30 June 2011	108,269	132,540	26,020	(3,456)	9,158	(388,586)	(116,055)	30,335	(85,720)
As at 1 January 2012	108,269	135,790	26,020	(1,182)	9,158	(377,229)	(99,174)	11,948	(87,226)
Movement for the period	—	—	—	—	—	(7,275)	(7,275)	623	(6,652)
As at 30 June 2012	**108,269**	**135,790**	**26,020**	**(1,182)**	**9,158**	**(384,504)**	**(106,449)**	**12,571**	**(93,878)**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Net cash (outflow) from operating activities	**(1,468)**	(3,744)
Net cash inflow/(outflow) from investing activities	**—**	—
Net cash (outflow) before financing activities	**(1,468)**	(3,744)
Net cash inflow from financing activities	**1,582**	(1,541)
Increase/(Decrease) in cash and cash equivalents	**114**	(5,285)
Cash and cash equivalents at 1 January	**655**	6,504
Effect of foreign exchange rate changes	**—**	—
Cash and cash equivalents at 30 June	**769**	1,219
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**769**	1,219

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), and accounting principles general accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31 December 2011.

2. TURNOVER

The Group's turnover represents the invoiced value of service fees from the provision of internet protocol television services; and excludes intra-Group transactions as follows:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Internet protocol television ("IPTV") services income	**1,459**	1,413	**2,941**	3,188
Total turnover	**1,459**	1,413	**2,941**	3,188

(a) Business segments

	Internet Protocol Value Added Services		**Others**		**Total**	
	2012	2011	**2012**	*2011*	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**2,941**	3,188	**—**	—	**2,941**	3,188
RESULT						
Segment results	**1,827**	1,064	**—**	—	**1,827**	1,064
Interest income					**—**	2
Unallocated expenses					**(7,741)**	(11,632)
Loss from operating activities					**(5,914)**	(10,566)
Finance costs					**(562)**	(502)
Loss before taxation					**(6,476)**	(11,068)
Taxation					**(176)**	557
Loss for the period					**(6,652)**	(10,511)
Depreciation and amortization	**369**	395	**5,420**	9,418	**5,789**	9,813

(b) Geographical segments

	Six months ended 30th June	
	2012	2011
	HK$'000	*HK$'000*
Turnover		
Hong Kong	**—**	—
The PRC	**2,941**	3,188
	2,941	3,188

3. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**—**	40	**—**	557
PRC income tax	**(87)**	—	**(176)**	—
	(87)	40	**(176)**	557

No Hong Kong profits tax has been provided for the six months ended 30 June 2012 as the Group has no assessable profit in Hong Kong for the period.

4. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2012 is based on the net loss from ordinary activities attributable to equity holders of the HK$7,275,000 (2011: HK$10,633,000) and the weighted average number of ordinary shares of approximately 1,082,687,986 (2011: 1,020,826,275) during the periods.

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
Trade receivables	**1,275**	—
Prepayments, deposits and other receivables	**8,080**	8,121
	9,355	8,121

6. TRADE PAYABLES

	As at 30 June 2012	As at 31 December 2011
	HK'000	*HK'000*
Trade payables	**—**	—
Accruals and other payables	**36,831**	36,172
	36,831	36,172

7. FINANCE COSTS

The finance costs represent the interest on amount due to the Company's immediate holding company, which bears interest at 5% per annum.

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

The total turnover of the Group for the six months ended 30 June 2012 was approximately HK$2,941,000 (2011: HK$3,188,000) which was decreased by approximately 7.7% as compared to that of the previous financial year. The decrease in turnover was due to market uncertainty which affected the Group's IPTV division.

The unaudited consolidated loss from operations for the six months ended 30 June 2012 was approximately HK$5,914,000, which decreased as compared with the corresponding period last year, HK$10,511,000. The decrease in loss for the period was mainly attributable to the reduction in the provision made for amortisation on the intangible assets of the Group.

Provision has been made for amortisation on the intangible assets of the Group in the amount of approximately HK$5,420,000 as the Board has adopted a prudent approach and determined that amortisation on the intangible assets provision should be made on the intangible assets of the Group.

The intangible assets of the Group are comprised of the IPTV permit, namely the "Broadcast of Audio-Video Program On Web Permit" (信息網路傳播視聽節目許可證) (the "Permit") currently held by Guangzhou Wavecom Communications and Advertising Limited ("Guangzhou Wavecom"). Guangzhou Wavecom is a wholly-owned subsidiary of the Company and possession of the Permit allows Guangzhou Wavecom's subsidiary, South Pearl Limited, to operate the Group's IPTV division in the greater southern China region. The Permit has been granted by Guangzhou Television Broadcast Microwave General Station ("Guangzhou Television Station") to Guangzhou Wavecom. Possession of the Permit allows, and is a prerequisite to South Pearl Limited being able to act as the exclusive service provider of Guangzhou Television Station's programmes, advertising and other IPTV services within the greater southern China region. The Permit commenced on 1 October 2007 and will expire on 30 September 2015.

The Group's gross profit margin is increased from approximately 53.39% for the six months ended 30 June 2011 to approximately 73.48% for the current period.

Financial cost

The financial cost of the Group for the six months ended 30 June 2012 was approximately HK$562,000 (2011: HK$502,000) which was increased by approximately 12% as compared to that of the same period of last year.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2012, the Group's borrowing consists of a loan from the Company's immediate holding company of approximately HK$22,301.000. The Group had a cash balance of approximately HK$769,000.

The Group continues to adopt a prudent treasury policy to maintain its cash balance either in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, maintaining a minimum exposure to foreign exchange risks.

The issued share capital of the Group for the six months ended 30 June 2012 was HK$108,268,799 (2011: HK$108,268,799).

Gearing Ratio

As at 30 June 2012, the gearing ratio of the Group, expressed as a percentage of net debt divided by total capital plus net debt, was 391.84% (2011:232.53%).

Employee and remuneration policies

As at 30 June 2012, the Group employed a total of 17 employees (as at 30 June 2011: 18), of which 3 were located in Hong Kong and the remaining 14 were located in the PRC. The Group's remuneration policies are in line with the prevailing market practices and formulated on the basis of performance and experience of the employees. The salary and related benefits of the employees are rewarded on a performance related basis and the general remuneration structure of the Group is subject to review annually.

OPERATIONAL REVIEW

During the period under review, the Group had engaged into concrete discussion in the PRC to further enlarge its revenue base through the further development of the Group's IPTV division which currently provides IPTV value added services to the greater southern China region. Based on the believe of the Board and management, the Company has a sufficient level of operations in its IPTV division and has sufficient assets to operate its business as a going concern which serves as a development platform for the expanded value-added businesses that the Group would engaged into. The Company does not have any financial difficulties to an extent which may seriously impair the Company's ability to continue its business. The Company also has, in addition to those assets held by the IPTV division, sufficient assets to operate its business due to the continuing support of the Company's immediate holding company in the foreseeable future.

The Board, looking forward, is contemplating expanding the investment operations of the Group, which will allow the Company to focus on synergy project investments which shall derive value for the Company's shareholders, and pave the way for the Company's future growth, both in terms of revenue streams and profits achieved from its business operations.

Performance of operating divisions

Information Technology Division

Since 2010, the Company entered into strategic alliance with a local internet carrier to deploy the iPTV services to selective blocks of subscribers as trial run, to test the maturity of the system, and the interactive features of the Internet in order to reach critical masses following the launch.

Due to the complexity of the regulatory frame-work of iPTV in China consists of a combination of traditional TV regulatory measures, access regulations, and regulation of resources in the IP platform. The Company has endeavored to satisfy the customers' expectations, and navigate the regulatory framework through prudent and careful assessment, prior to engage itself into large scale investment and marketing campaign to promote the services.

We are pleased to report to the shareholders that the Company had achieved great progress in the first quarter of the year in its pursuit of sustainable and synergetic technology partner, which aims to complement our own established iPTV operational platform. As announced on 12 May, 2012, a non-legally binding memorandum of understanding ("MOU") had been entered into between the Group and the Vendor regarding the potential acquisition of a third party entity which is licensed to deploy satellite technology for civil application in the PRC. Based on a research published by the International Journal of Research and Reviews in Wireless Communication by Science Academy Publisher, United Kingdom, digital television is one of the most prevalent broadcast platform around the world and the use of satellite to transmit digital TV signal directly to consumers and homes is perhaps one of the most successful commercial applications of this communications technology, as displayed by the success of Sky Television in Europe. As more time is required for negotiating the terms of the Formal Agreement, the parties entered into the supplemental MOU extending the Exclusivity Period from three (3) calendar months to six (6) calendar months from the date of the MOU (i.e. 12 May 2012). If the MOU materialises, further resources would be put in by the Company in the future to explore the synergy of the satellite technology platforms and to explore any viable value-added services to the consumers of China.

Besides, continuous market studies has been conducted by the Group's strategic team focusing on residential market and high profit customer base, which the Company had been trying to develop by engaging in various discussions with PRC developers to service their "residential communities" with value-added services on video and IP applications. The Management believes that it can be achieved better performance in the next two years with better deployment of technologies and service coverage and the possible use of the satellite application technology if the MOU materialises.

Following the streamlining of the Group business after the discontinuation of the logistic business, the Board is anxiously looking forward to the expansion of the Company's core expertise in the area of IPTV value-added services and to lead and restructure the operations of the Company in the direction as stated above.

Financial Consultancy

Apart from the aforementioned operations, the Group continues to research, develop and explore investment opportunities which are strategic to its business operations and which will contribute significantly to the return of the Company's shareholders.

With the acquisition of Vega International Group Limited, which is principally engaged in the provision of services in corporate finance and investment, project planning and development, technology project brokerage services, corporate development services, management consulting and post-acquisition advisory and professional management services, the Group is researching, developing and exploring further opportunities for development in the corporate finance sector which will further contribute to the current revenue streams generated by the Group.

In relation to the corporate finance sector, the Board is planning to devote more time and resources towards expanding the provision of financial consultancy services to business sectors that complement and have synergy with the household consumers and media services that the IPTV division of the Company is presently pursuing. The Board envisages that such services, if agreed, will encompass the establishment of financial advisory offices which will provide investment, financial and project management advise to other companies. In terms of these consultancy services, they will be negotiated in the normal course of business and shareholders will be kept informed of this division as it progresses.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Deregistration and Winding-Up of various Subsidiaries in the Group

The Board has resolved that, in order to reduce the operating costs of the Group, those subsidiaries within the Group which no longer add value to, nor generate any income attributable to the Group, should be deregistered, or voluntarily wound up.

Those subsidiaries which are currently in the deregistration process are: AIR Logistics International Holdings Limited, Sinobase Asia Limited and Sino Resource Investments Limited.

Asian Information Resources Consultants Limited has been deregistered in July 2012.

Those subsidiaries which are currently being voluntarily wound up are: Asian Information Investment Consulting Limited, BuyCollection.com Limited, and Myhome Network Limited.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited ("UR"), as the second plaintiff (the "Plaintiffs"), initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants, by way of the issue of a Writ of Summons in the High Court of Hong Kong under action number HCA589 of 2010 (the "Writ of Summons"). For further details of the Writ of Summons and the indorsement of claim as it pertains to the Company, please refer to the Company's announcements dated 28 April 2010, and 3 May 2010.

As stated in the Company's announcement dated 3 May 2010, the Board is given to understand that in the event that the Plaintiffs prosecute the claims stated in the Writ of Summons, then the Plaintiffs will claim they are entitled to an award of specific damages in the sum of RMB9,744,000.

The Board, after a preliminary assessment of the Writ of Summons, is of the view that in the event that the Plaintiffs are successful in proving the relevant claims against the Company, and that if the possible specific damages of RMB9,744,000, and a possible claim for UREDY's and UR's legal costs are awarded against the Company, that such awards will not have a material adverse impact on the Group's financial position, in the long term.

On 11 February 2011, the Eastern Magistrates Court of Hong Kong issued five summonses to the Company. Each of them alleges that the Company, contrary to sections 384(1) and 384(6) of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, did provide to the Stock Exchange of Hong Kong Limited a copy of an announcement which was false or misleading in a material particular, and the Company knew or was reckless as to whether the information was false or misleading in a material particular.

After the Board has taken full legal advice from the Company's solicitors regarding each of the Five Summonses, at a hearing held on 16 April 2012, the Company has pleaded guilty to the five charges under the Five Summonses and is fined HK$20,000 for each Summons and ordered to pay the Securities and Futures Commission's investigation costs of HK$17,683, making a total of HK$117,683, which was being paid on 27 April 2012. Having given its consideration to each of the Five Summonses, the guilty plea and the fine, the Board is of the view that they will not have a material adverse impact on the Company's financial position.

Save as disclosed above, as at 30 June 2012 neither the Company nor any of its subsidiaries is involved in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Board to be pending or threatened against the Company or any of its subsidiaries.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 10 August 2012, the Company made an announcement, pursuant to Rule 17.10 of the GEM Listing Rules on "**SUPPLEMENTAL MOU**" and "**EXTENSION OF LONG STOP DATE OF PLACING AGREEMENT**", contents of the announcements are summarized below:

Supplemental MOU

Reference is made to the announcement of Asian Capital Resources (Holdings) Limited (the "**Company**") dated 12 May 2012 (the "**Announcement**") in relation to the non-legally binding memorandum of understanding. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

Pursuant to the MOU, the Vendor and the Purchaser will negotiate in good faith the terms of the formal agreement (the "**Formal Agreement**") for the Proposed Acquisition within 3 month after the date of the MOU (the "**Exclusivity Period**"). The Vendor has undertaken that during the Exclusivity Period, it will not (i) solicit, initiate, encourage or accept inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with any person or entity other than the Purchaser with respect to the sale or other disposition of the share capital or any business of the Target directly or indirectly.

As more time is required for negotiating the terms of the Formal Agreement, the parties entered into the supplemental memorandum of understanding ("**Supplemental MOU**") whereby the Exclusivity Period will be extended from three (3) calendar months to six (6) calendar months from the date of the MOU (i.e. 12 May 2012).

Extension of Long Stop Date of Placing Agreement

Pursuant to the Placing Agreement, the conditions precedent of the Placing shall be fulfilled on or before a date falling 3 months after the date of the Placing Agreement (or such later time and date as the Placing Agents and the Company shall agree in writing) (the "**Long Stop Date**"). On 10 August 2012 the Company and the Placing Agents entered into a supplemental agreement ("**Supplemental Agreement**") to the Placing Agreement, pursuant to which the Long Stop Date has been extended to a date falling 5 months after the date of the Placing Agreement (i.e. 12 May 2012). All other terms and conditions of the Placing Agreement remain unchanged.

DISCLOSURE OF INTERESTS

(A) Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571, ("SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Positions in the Ordinary Shares of HK$0.10 each (the "Shares") of the Company

	Number of issued Shares held, capacity and nature of interest					
	Directly beneficially owned	**Through spouse or minor children**	**Through controlled corporation**	**Beneficiary of a trust**	**Total**	**Percentage of the Company's issued Shares as at 30 June 2012**
Directors						
Mr. Xie Xuan	—	—	546,964,782 *(Note 1)*	—	546,964,782	50.52%
Mr. Qiu Yue	15,430,000	—	18,620,436 *(Note 2)*	—	34,050,436	3.14%
	15,430,000	**—**	**565,585,218**	**—**	**581,015,218**	**53.66%**

Note 1: The controlled corporation is Glamour House Limited, which is accustomed to acting in accordance with Mr. Xie Xuan's instructions who is its sole director, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

Note 2: The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(B) Interests and short positions of the Substantial Shareholders in the Shares, underlying shares and debentures of the Company

As at 30 June 2012, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

(i) Long Positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Percentage of the Company's issued Shares as at 30 June 2012
Glamour House Limited	Interest of a controlled corporation *(Note 1)*	546,964,782	50.52%
Mr. Chu Yat Hong	Interest of a controlled corporation *(Note 2)*	546,964,782	50.52%
Asian Dynamics International Limited	Beneficial owner	546,846,132	50.51%
Logic Ease Group Limited	Beneficial Owner	86,500,000	7.99%

Note 1: The controlled corporation is Asian Dynamics International Limited, which is beneficially owned as to 67.18% by Glamour House Limited.

Note 2: The controlled corporation is Glamour House Limited, which is beneficially owned as to 90% by Mr. Chu Yat Hong, and which is the beneficial owner as to 67.18% of Asian Dynamics International Limited.

(ii) Long Positions in the Underlying Shares

Long positions in the unlisted zero-coupon convertible redeemable notes with 24-month maturity issued on 11 October 2010 (the "2010 Convertible Notes") of the Company.

Name of Substantial Shareholder	**Capacity and nature of interest**	**Amount of 2010 Convertible Notes** *(HK$)*	**Number of underlying Shares**	**Percentage of the Company's issued Shares as at 30 June 2012**
Perfect Image Group Limited	Beneficial Owner	19,931,938.68	91,430,911	8.84%
Blue Balloon Limited	Beneficial Owner	18,857,000.00	86,500,000	7.99%
Sweetly Limited	Beneficial Owner	18,857,000.00	86,500,000	7.99%

Holders of the 2010 Convertible Notes are entitled to elect to convert 2010 Convertible Notes into Shares at the conversion price of HK$0.218 per Share until 10 October 2012.

Save as disclosed above, as at 30 June 2012, no persons, other than the Directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in any shares, underlying shares or debentures of the Company that was required to be recorded under Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company or their respective associates had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

MANAGEMENT SHAREHOLDER

As far as the Directors are aware of, other than Asian Dynamics International Limited, Glamour House Limited, Mr. Chu Yat Hong, Mr. Xie Xuan, and Logic Ease Group Limited, as disclosed above, there was no other person as at 30 June 2012 who was directly or indirectly interested in 5% or more of the shares then in issue of the Company and who was able, as a practicable matter, to direct or influence the management of the Company.

CONVERTIBLE NOTES

On 11 October 2010 the Company, pursuant to the acquisition agreement as described in the Company's circular dated 28 February 2008, issued in aggregate HK$86,349,999 of zero-coupon convertible notes convertible at the initial Conversion Price of HK$0.218 per Share with 24-month maturity, in the amounts of HK$76,272,955 of Convertible Notes were issued to Asian Dynamics International Limited and approximately HK$10,077,044 of Convertible Notes were issued to Lucky Peace Limited.

As at 30 June 2012 there were outstanding and in issue in aggregate HK$66,017,139 of zero-coupon convertible notes convertible at the initial Conversion Price of HK$0.218 per Share with 24-month maturity.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2012.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

Compliance with Corporate Governance Code

To ensure compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules, the Board will continue to monitor and revise the Company Code to bring its corporate governance practices in line with the changes in the environment and requirements of the Code.

In the opinion of the Directors, the Company has complied with all the provisions of the Code for the six months ended 30 June 2012, except:

(i) under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has set out in written terms the responsibilities between the chairman and chief executive officer. At present, Mr. Xie Xuan, the chairman of the Company, also undertakes the responsibilities of the chief executive officer until a new chief executive officer is found. The Company considers that under the supervision of its Board and its non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

(ii) under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive directors of the Company are subject to retirement by rotation at annual general meetings pursuant to the articles of association of the Company.

(iii) under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The chairman of the Company, Mr. Xie Xuan, had not attended the Company's annual general meeting for 2011 due to other business commitments.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Company's directors.

The Company has made specific enquiry of all its directors and the directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 June 2012.

Board of Directors

The Board is responsible for managing the Company on behalf of the shareholders. The Board is of the view that it is the directors' responsibility to create value for the shareholders as a whole and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The Board comprises a total of seven directors, with two executive directors, namely Mr. Xie Xuan (Chairman), and Mr. Qiu Yue; one non-executive director, namely Mr. Lo Mun Lam, Raymond (Vice-Chairman); and three independent non-executive directors namely Mr. Wu Jixue, Dr. Feng Ke and Mr. Zhang Daorong.

The Board meets at least four times a year with additional meetings arranged when necessary, to review the financial performance, results of each quarter, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference calls may be used to improve attendance when an individual director cannot attend the meeting in person.

Internal Control

The directors have reviewed and are satisfied with their ability to comply with the policies installed as part of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions. Furthermore, the directors are satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programs and budget.

Audit Committee

In compliance with Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive directors, namely Mr. Zhang Daorong, Mr. Wu Jixue and Dr. Feng Ke and has adopted terms of reference governing the authorities and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this announcement and has provided advice and comments thereon.

On behalf of the Board
Xie Xuan
Chairman

Hong Kong, 13 August 2012