Capital VC Limited
首 都 創 投 有 限 公 司

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as CNI VC Limited)

(Stock Code: 02324)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

INTERIM FINANCIAL STATEMENTS

The board of directors (the "Board") of Capital VC Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2011 (the "Period"). The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

		Six months ended 31 December	
		2011	**2010**
		(unaudited)	(unaudited)
	Notes	***HK$***	*HK$*
Turnover	5	**(107,004,330)**	20,696,021
Other income		**694,821**	991,710
Administrative expenses		**(7,112,407)**	(4,606,233)
Finance costs		**(3,964,267)**	(2,023,700)
Share of result of an associate		**30,897,651**	25,461,308
Profit/(Loss) before tax	7	**(86,488,532)**	40,519,106
Income tax	8	**–**	–
Profit/(Loss) for the Period attributable to equity holders of the Company		**(86,488,532)**	40,519,106
Dividend	9	**–**	–
Earnings/(Loss) per share	10		
– basic		**(0.1124)**	0.1252
– diluted		**N/A**	N/A

There was no other comprehensive income during the Period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	**31 December 2011 (unaudited)** *HK$*	30 June 2011 (audited) *HK$*
NON-CURRENT ASSETS			
Plant and equipment	11	**1,188,050**	1,416,802
Interest in an associate	12	**121,911,085**	91,013,434
Available-for-sale investments	13	**36,000,000**	36,000,000
Prepayments, deposits and other receivables		**25,000,000**	–
		184,099,135	128,430,236
CURRENT ASSETS			
Available-for-sale investments	13	**–**	70,000,000
Financial assets at fair value through profit or loss	14	**144,011,208**	165,882,076
Loan receivables		**12,000,000**	10,000,000
Prepayments, deposits and other receivables		**85,423,976**	45,775,027
Amounts due from investee companies		**–**	716,808
Amount due from an associate	12	**37,490,001**	44,125,000
Bank balances and cash		**7,930,800**	14,486,942
		286,855,985	350,985,853
CURRENT LIABILITIES			
Other payables and accruals		**68,153,082**	62,578,201
Amounts due to directors		**2,399,418**	2,222,418
Amounts due to investee companies		**–**	49,639
Obligations under finance leases – due within one year		**183,357**	195,041
		70,735,857	65,045,299
NET CURRENT ASSETS		**216,120,128**	285,940,554
TOTAL ASSETS LESS CURRENT LIABILITIES		**400,219,263**	414,370,790

	Notes	**31 December 2011 (unaudited)** *HK$*	30 June 2011 (audited) *HK$*
CAPITAL AND RESERVES			
Share capital	15	**84,116,985**	59,116,985
Reserves		**315,899,922**	354,971,454
Total equity attributable to equity holders of the Company		**400,016,907**	414,088,439
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year		**202,356**	282,351
		400,219,263	414,370,790
Net asset value per share		**0.4755**	0.7005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	Share capital *HK$*	Share premium *HK$*	Share option reserve *HK$*	Investments revaluation reserve *HK$*	Retained profits/ (Accumulated losses) *HK$*	Total equity attributable to equity holders of the Company *HK$*
At 1 July 2011 (audited)	59,116,985	289,415,045	2,031,456	40,733,000	22,791,953	414,088,439
Total comprehensive income for the Period	–	–	–	–	(86,488,532)	(86,488,532)
Release on disposal of available-for-sale investment	–	–	–	(20,000,000)	20,000,000	–
Issue of ordinary shares by placement	25,000,000	50,000,000	–	–	–	75,000,000
Share issue expenses	–	(2,583,000)	–	–	–	(2,583,000)
At 31 December 2011 (unaudited)	84,116,985	336,832,045	2,031,456	20,733,000	(43,696,579)	400,016,907
At 1 July 2010 (audited)	31,508,218	229,178,977	1,253,060	56,038,087	(579,467)	317,398,875
Total comprehensive income for the six months ended 31 December 2010	–	–	–	–	40,519,106	40,519,106
Issue of ordinary shares by placement	6,491,000	16,227,500	–	–	–	22,718,500
Share issue expenses	–	(492,752)	–	–	–	(492,752)
Share option scheme						
– proceeds from shares issued	950,000	3,169,200	–	–	–	4,119,200
– transfer to share premium	–	668,578	(668,578)	–	–	–
At 31 December 2010 (unaudited)	38,949,218	248,751,503	584,482	56,038,087	39,939,639	384,262,929

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2011

	Six months ended 31 December	
	2011	2010
	(unaudited)	(unaudited)
	HK$	*HK$*
NET CASH USED IN OPERATING ACTIVITIES	**(99,575,273)**	(19,112,251)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**20,516,810**	(8,101,687)
NET CASH FROM FINANCING ACTIVITIES	**72,502,321**	25,073,788
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,556,142)**	(2,140,150)
CASH AND CASH EQUIVALENTS AT 1 JULY	**14,486,942**	26,219,940
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Represented by:		
Bank balances and cash	**7,930,800**	24,079,790

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2011

1. GENERAL INFORMATION

Capital VC Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 602, 6th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These condensed consolidated interim financial information are presented in Hong Kong dollars, unless otherwise stated.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements ("Interim Financial Report") 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 of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Report should be read in conjunction with the 2010/11 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2011.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2011, as described in those annual financial statements.

Adoption of new and revised Hong Kong Financial Reporting Standard (HKFRSs)

The following new standards and amendments to standards are adopted by the Group for the current financial period:

HKAS 24 (revised), "Related party disclosures", issued in November 2009, is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amendment does not have any financial impact on the Group.

Amendment to HKAS 34 "Interim financial reporting", issued in May 2010 is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

HKFRS 7 (Amendment) 'Disclosures – Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's consolidated statement of financial position. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment only results in additional disclosures.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted:

i) HKFRS 9, 'Financial Instruments' which will be effective on 1 January 2013 but is proposed to be postponed to 1 January 2015. The first part of HKFRS 9 was issued in November 2009 and will replace those parts of HKAS 39 relating to the classification and measurement of financial assets. In November 2010, a further pronouncement was published to address financial liabilities and derecognition. Key features are as follows:

   Classification and Measurement

   Financial assets are required to be classified into one of the following measurement categories:

   (1) those to be measured subsequently at fair value or (2) those to be measured subsequently at amortised cost. Classification is to be made on transition, and subsequently on initial recognition.

   The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

   A financial instrument is subsequently measured at amortised cost only if it is a debt instrument, and the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only unleveraged payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.

   All equity instruments are to be measured subsequently at fair value. Equity instrument that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than consolidated statement of comprehensive income. Once elected to be recognised through other comprehensive income, there will be no reclassification of fair value gains and losses to consolidated statement of comprehensive income. Dividends are to be presented in consolidated statement of comprehensive income as long as they represent a return on investment.

Financial Liabilities and Derecognition

Except for the two substantial changes described below, the classification and measurement requirements of financial liabilities have been basically carried forward with little amendments from HKAS 39. For the derecognition principles, they are consistent with that of HKAS 39.

The requirements related to the fair value option for financial liabilities were changed to address own credit risk. It requires the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income. The remaining amount of the total gain or loss is included in consolidated statement of comprehensive income. If this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in consolidated statement of comprehensive income. The determination of whether there will be a mismatch will need to be made at initial recognition of individual liabilities and will not be re-assessed. Amounts presented in other comprehensive income are not subsequently reclassified to consolidated statement of comprehensive income but may be transferred within equity.

The standard eliminates the exception from fair value measurement contained in HKAS 39 for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument.

ii) HKFRS 10 "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. It replaces all of the guidance on control and consolidation in HKAS 27, "Consolidated and separate financial statements", and HK(SIC)-12, "Consolidation – special purpose entities". HKAS 27 is renamed 'Separate financial statements', and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged.

The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. HKFRS 10 includes guidance on 'de facto' control, participating and protective rights and agent/principal relationships.

iii) HKFRS 13 "Fair value measurements" is effective for annual periods beginning on or after 1 January 2013. It explains how to measure fair value and aims to enhance fair value disclosures. It does not say when to measure fair value or require additional fair value measurements. It does not apply to transactions within the scope of HKFRS 2, "Share-based payment", or HKFRS 17, "Leases", or to certain other measurements that are required by other standards and are similar to, but are not, fair value (for example, value in use in HKAS 36, 'Impairment of assets').

The Group is in the process of making an assessment of what the impacts of the above new standards are expected to be in their respective period of initial application.

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2011.

5. TURNOVER

Turnover represents the amounts received and receivable on investments and net gains on financial assets at fair value through profit or loss ("FVTPL") during the Period as follows:

	Six months ended 31 December	
	2011	2010
	(unaudited)	(unaudited)
	HK$	*HK$*
Turnover		
Net profit/(loss) on financial assets at FVTPL	**(111,057,909)**	20,039,232
Dividend income from investment in listed securities	**74,270**	–
Interest income	**3,979,309**	656,789
	(107,004,330)	20,696,021

6. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The chief operating decision maker has been identified as the board of directors (the "Board"). The Board assesses the operating segments using a measure of operating profit. The Group's measurement policies for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adopting of HKFRS 8, based on the internal financial information reported to the Board for decisions about resources allocation to the Group's business components and review of these components' performance the Group has identified only one operating segment being investment business.

The principal activity of the Group is investing in listed and unlisted companies. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Financial assets at FVTPL	–	Investments in securities listed on Hong Kong Stock Exchange
Available-for-sale investment	–	Investments in unlisted securities
Associate	–	Investments in an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

	For the six months ended 31 December 2011				
	Investment in financial assets at FVTPL	**Investment in available-for-sale investments**	**Investment in an associate**	**Unallocated**	**Total**
	HK$	***HK$***	***HK$***	***HK$***	***HK$***
Segment revenue	**(110,983,639)**	**445,370**	**1,565,001**	**2,663,759**	**(106,309,509)**
Administrative expenses	**–**	**–**	**–**	**(7,112,407)**	**(7,112,407)**
Segment result	**(110,983,639)**	**445,370**	**1,565,001**	**(4,448,648)**	**(113,421,916)**
Share of results of an associate	**–**	**–**	**30,897,651**	**–**	**30,897,651**

	For the six months ended 31 December 2010				
	Investment in financial assets at FVTPL	Investment in available-for-sale investments	Investment in an associate	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue	20,039,232	400,000	–	256,789	20,696,021
Administrative expenses	–	–	–	(4,606,233)	(4,606,233)
Segment result	20,039,232	400,000	–	(4,349,444)	16,089,788
Share of results of an associate	–	–	25,461,308	–	25,461,308

7. PROFIT/(LOSS) BEFORE TAX

	Six months ended 31 December	
	2011	2010
	(unaudited)	(unaudited)
	HK$	*HK$*
The Group's profit/(loss) before tax has been arrived at after charging/(crediting):		
Total staff costs (including directors' remuneration)	**1,621,063**	1,358,668
Depreciation on plant and equipment	**514,110**	575,457
Operating lease charges on rented premises	**702,960**	781,765
Interest on borrowings	**3,964,267**	2,023,700
Donation	**270,000**	408,000

8. INCOME TAX

Hong Kong profits tax has not been provided in the Interim Financial Statements as the Group has no assessable profit derived from its operation for the Period.

At the end of the reporting period, the Group has unused tax losses available to set off against future profits. No deferred tax asset in respect of tax losses has been recognized in the Interim Financial Statements of the Group due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend (2010: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings per share are based on the Group's loss attributable to the equity holders of the Company for the Period of HK$86,488,532 (2010: profit of HK$40,519,106).

The basic earnings per share is based on the weighted average number of 769,158,976 (2010: 323,597,394) ordinary shares in issue for the Period.

There was no dilution effect on the basic earnings per share for the six months ended 31 December 2011 and 2010 as there were no dilutive shares outstanding during the six months ended 31 December 2011 and 2010.

11. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment for an amount of approximately HK$285,358 (2010: 1,742,363). The carrying amount of assets held under finance leases of the Group as at 31 December 2011 amounted to approximately HK$Nil (30 June 2011: HK$77,376).

12. INTEREST IN AN ASSOCIATE

	31 December 2011 (unaudited) *HK$*	30 June 2011 (audited) *HK$*
Cost of investment in an unlisted associate	**4,500,000**	4,500,000
Share of post-acquisition profit	**117,411,085**	86,513,434
	121,911,085	91,013,434
Amount due from an associate	**37,490,001**	44,125,000

The amount due from an associate was unsecured, bearing interest at 8% per annum and repayable on demand.

As at 31 December 2011, the Group has interests in the following associate:

Name of associate	Form of business structure	Class of shares held	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Group	Principal activities
CNI Bullion Limited	Incorporated	Ordinary share	Hong Kong	HK$15,000,000	30%	Provision of services on trading of gold in Hong Kong gold market

13. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2011 (unaudited) *HK$*	30 June 2011 (audited) *HK$*
Unlisted equity securities, at fair value	**36,000,000**	106,000,000

Analyzed for reporting purposes as:

Current	**–**	70,000,000
Non-current	**36,000,000**	36,000,000
	36,000,000	106,000,000

The unlisted equity securities represent investments in private entities.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2011 (unaudited) *HK$*	30 June 2011 (audited) *HK$*
Fair value		
Listed equity securities held for trading,		
– listed in Hong Kong	**144,011,208**	165,882,076

The fair value of the Group's equity investments at fair value through profit or loss was determined based on the quoted market bid prices available on the relevant exchanges.

15. SHARE CAPITAL

	Number of shares	**Amount** *HK$*
Authorised:		
At 1 July 2011 and 31 December 2011		
Ordinary shares of HK$0.1 each	2,000,000,000	200,000,000
Issued and fully paid:		
At 1 July 2011		
Ordinary shares of HK$0.1 each	591,169,846	59,116,985
Issue of shares by placement *(Note)*	250,000,000	25,000,000
At 31 December 2011	841,169,846	84,116,985

Note:

Pursuant to the placement agreement dated 9 June 2011 and an ordinary resolution passed at the extraordinary general meeting held on 12 August 2011, placement of 250,000,000 ordinary shares of HK$0.1 each was issued at a price of HK$0.3 per share on 23 August 2011.

16. RELATED PARTY AND CONNECTED TRANSACTION

(a) During the Period, significant transactions with related parties and connected parties are as follows:

		Six months ended 31 December	
		2011	2010
		(unaudited)	(unaudited)
	Notes	***HK$***	*HK$*
Quidam Assets Limited ("Quidam") Interest income	(i)	**445,370**	400,000
Tripod Management Limited ("Tripod") Investment management fee	(ii)	**240,000**	110,000
QF Alpha (Hong Kong) Limited Professional service income	(iii)	**120,000**	120,000
China Private Equity Investment Holdings Limited Professional service income	(iii)	**360,000**	780,000

(b) Outstanding balances with related parties as at the end of the reporting period are as follows:

		31 December	30 June
		2011	2011
	Notes	***HK$***	*HK$*
Mr. Chui Tak Keung, Duncan, an executive director of the Company ("Mr. Chui")			
Amount due to	(iv)	**1,863,834**	1,686,834
Mr. Yau Chung Hong, an executive director of the Company ("Mr. Yau")			
Amount due to	(v)	**535,584**	535,584
Quidam			
Loan advance to	(i)	**12,000,000**	10,000,000
Interest receivable from	(i)	**250,667**	800,000
Orbrich Finance			
Amount due to	(i)	**–**	49,639

(c) Compensation of key management personnel. The remuneration of directors and other members of key management during the Period was as follows:

	Six months ended 31 December	
	2011	2010
	(unaudited)	(unaudited)
	HK$	*HK$*
Short-term benefits	**1,477,000**	1,185,000
Post-employment benefits	**12,000**	12,000
	1,489,000	1,197,000

Notes:

(i) The Group had 18.25% equity interest in Quidam which holds 84% equity interest in Orbrich Finance at 31 December 2011. The loan is unsecured and bears interest at 8% per annum for the period from 1 July 2011 to 31 December 2011. The amount due to Orbrich Finance as at 31 December 2010 was unsecured, interest-free and repayable on demand.

(ii) Pursuant to an investment management agreement dated 17 May 2007 entered into between the Company and Tripod, Tripod agreed to provide the Company with investment management services (excluding general administrative services) commencing on 17 May 2007.

(iii) Mr. Chui had beneficial interests in these companies. Professional service income from these companies was charged at a negotiated value.

(iv) The amounts due to Mr. Chui are unsecured, interest-free and repayable on demand.

(v) The amounts due to Mr. Yau are unsecured, interest-free and repayable on demand.

17. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its offices, directors' quarters and office equipment under operating lease arrangements. Leases are negotiated for a term ranging from one to three years.

As at 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2011 (unaudited) ***HK$***	30 June 2011 (audited) *HK$*
Within one year	**3,074,730**	1,405,920
In the second to fifth years, inclusive	**2,447,625**	1,405,920
	5,522,355	2,811,840

18. PLEDGE OF ASSETS

The Group has pledged its plant and equipment with carrying value of HK$nil for the finance lease and financial assets at fair value through profit or loss, which are approximately HK$143,908,208 to secure margin financing facilities obtained from regulated securities dealers.

19. CONTINGENT LIABILITIES

The Company and Longlife Group Holdings Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 31 December 2011, the maximum liabilities of rental and corresponding administrative charges of the Company due to default of payment of Longlife Group Holdings Limited would be HK$2,108,880.

20. PENDING LITIGATION

As at 31 December 2011, the Company was the defendant in a high court action involving a dishonoured cheque for the amount of HK$39,000,000 allegedly payable to the plaintiff but bounced. On legal advice the Company verily believed that the Plaintiff's claim was wholly unmeritorious, since (1) the said cheque did not constitute an enforceable bill of exchange in the circumstances; and (2) the said cheque had been discharged under the Bills of Exchange Ordinance prior to the issuing of the writ of summons of the above action. Thus, the plaintiff did not have a valid claim against the Company and the high court action was unlikely to have any material adverse financial impact on the Company. Therefore, no provision for any liability that may result was made in the unaudited consolidated financial statements as of 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 December 2011 (the "Period"), the Group recorded a negative turnover of HK$107.0 million (2010: positive HK$20.7 million) and a loss attributable to equity holders of the Company of HK$86.5 million (2010: profit of HK$40.5 million). The change in the result attributable to the equity holders of the Company from profit to loss is principally attributable to the fragile global investment environment. Net loss on financial assets of HK$111.1 million was recorded in the Period as compared to profit of HK$20.0 million recognised in the corresponding period of last year. The performance of the Group's associate, CNI Bullion Limited, maintained satisfactory and profit of HK$30.9 million was shared to the Group during the Period.

The net proceeds from a placement of HK$72.4 million enlarged the capital base during the Period. After accounting for the placement and the result for the Period, the Group's net asset value only slightly decreased from HK$414.1 million as at 30 June 2011 to HK$400.0 million as at 31 December 2011.

Business Review and Prospect

As compared to the first half of financial year 2010/11, the investment environment has changed drastically during the Period. A series of unfavorable events happened and the European debt crisis became the main theme of the global investment market. Another focus in the market was the US government credit rating downgrade in August 2011. Subsequently the downgrade of credit rating of France, Europe's second largest economy, along with other Eurozone countries happened in January 2012. Due to the deeply worsening of the investment environment, the Group recorded a loss on financial assets which resulted in the net loss of HK$86.5 million recognised during the Period.

Looking forward, we expect the economic growth of the US and Europe will slow down. Market risk aversion is likely to grow fuelling bigger market uncertainty and volatility, the developed and developing markets alike. However, the US Federal Open Market Committee anticipating that interest rates would remain low through at least late 2014, is favorable to the equity investments. Another positive factor is that the Chinese Government may be less hawkish to further tighten the current macro policy in the near term. The Directors will adopt cautious measures to manage the portfolio of investments of the Group.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group's liquidity position is slightly weakened as compared to the situation as at 30 June 2011 and its bank balances as at 31 December 2011 amounted to approximately HK$7.9 million (As at 30 June 2011: approximately HK$14.5 million) which represented approximately 2.8% (As at 30 June 2011: approximately 4.1%) of the Group's total current assets. Although the Group's bank balance and cash decreased during the Period, the Group held net current assets HK$216.1 million, which was adequate to settle all non-current liabilities of HK$0.2 million. The Board considered the Group still maintained a healthy financial position as at 31 December 2011.

As at 31 December 2011, the Group's gearing ratio was 15.1% (30 June 2011: 13.6%), which is calculated on the Group's total liabilities divided by its total assets. The Group had no material capital commitment as at 31 December 2011. In connection with the contingent liabilities of the Company, please refer to note 19 to the Interim Financial Statements.

FOREIGN CURRENCY EXPOSURE

The Group has a number of investment projects in the PRC and may be subject to a certain degree of investment return risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period the Company had not made any significant acquisition and disposal of subsidiaries.

EMPLOYEES

As at 31 December 2011, the Company had 2 employees, excluding directors. The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

During the six months ended 31 December 2011, the Company placed 250,000,000 new shares at HK$0.30 each per share. The number of the Company's issued shares increased from 591,169,847 to 841,169,847 during these six months.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 December 2011, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are 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 to be 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 (collectively "Discloseable Interests or Short Positions"), were as follows:

Name	Number of ordinary shares held	Shareholding percentage
Mr. Yau Chung Hong *(Note)*	139,825,000	16.62

Note:

Mr. Yau Chung Hong, an executive director of the Company, was personally interested in 126,360,000 shares and deemed to be interested in 13,465,000 shares by virtue of his control in Sellwell Enterprises Limited.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 31 December 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the parties (other than the directors and chief executive of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Name	Number of ordinary shares held	Shareholding percentage
Willie International Holdings Limited	215,000,000	25.56
Longlife Group Holdings Limited	49,707,191	5.91

Save as disclosed above, as at 31 December 2011 the Directors were not aware of any other person (other than the directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by all of the then shareholders of the Company on 30 September 2003, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, the Directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive directors (including independent non-executive directors), any supplier of goods or services, any customer and any person or entity that provides research, development or other technological support to the Company to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

During the Period, no share options were granted, cancelled, exercised or lapsed pursuant to the Scheme.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Chan Ming Sun, Jonathan holds a position as an investment manager of Go-To-Asia Investment Limited. The business of Go- To-Asia Investment Limited is deemed to constitute a competing business to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has repurchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2011.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Kwan, Mr. Chan Ming Sun, Jonathan and Mr. Ong Chi King with written terms of reference in compliance. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non compliance with the Model Code during the Period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the Period, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the "CGP Code") contained in Appendix 14 to the Listing Rules, except the deviations from the Code as described below:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Decisions of the Company are made collectively by the Executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to reelection. Currently all Non-executive Directors, including Independent Non-executive Directors, have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

On behalf of the Board
Yau Chung Hong
Executive Director

Hong Kong, 24 February 2012

As at the date of this announcement, the Board comprises executive directors Mr. Yau Chung Hong, Mr. Chui Tak Keung, Duncan, Mr. Kong Fanpeng and Dr. Liu Ta-pei; non-executive director Mr. Hung Cho Sing; and independent non-executive directors Mr. Lam Kwan, Mr. Chan Ming Sun, Jonathan and Mr. Ong Chi King.