



MASTERMIND CAPITAL LIMITED

慧德投資有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 905)

Interim Report

2011

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
PO 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
PO Box 309
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1401-3, 14th Floor
Tower 2, 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, 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

	Notes	Six months ended 30th June,	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	3	13	5
Other net loss	4	(310)	–
Administrative expenses		(15,882)	(3,558)
Other operating expenses		–	(137)
Loss before income tax	6	(16,179)	(3,690)
Income tax expense	7	–	–
Loss for the period attributable to owners of the Company		(16,179)	(3,690)
Loss per share	8		
– Basic (HK cents)		(0.76)	(0.21)
– Diluted (HK cents)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th June, 2011

	Six months ended 30th June,	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Loss for the period	(16,179)	(3,690)
Other comprehensive income		
Change in fair value of available-for-sale financial assets	121	–
Exchange difference on translation of financial statements of foreign subsidiaries	23	–
Other comprehensive income for the period	144	–
Total comprehensive income for the period attributable to owners of the Company	(16,035)	(3,690)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2011

	Notes	30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	950	1,096
Available-for-sale financial assets	10	13,704	13,583
Deposits paid		53,400	30,000
		68,054	44,679
Current assets			
Prepayments		175	325
Other receivables		1,104	1,432
Financial assets at fair value through profit or loss	11	6,507	12,400
Cash and cash equivalents		23,210	44,528
		30,996	58,685
Current liabilities			
Accruals and other payables		(673)	(759)
Amount due to a related company		(125)	(125)
Provision for tax		(73)	(73)
		(871)	(957)
Net current assets		30,125	57,728
Total assets less current liabilities/ Net assets		98,179	102,407
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	53,280	53,280
Reserves		44,899	49,127
Total equity		98,179	102,407

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2011

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Translation reserve* HK\$'000	Fair value reserve for available- for-sale financial assets* HK\$'000	Accumulated losses* 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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium* HK\$'000	Translation reserve* HK\$'000	Fair value reserve for available-for-sale financial assets* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000
As 1st January, 2010 (Audited)	37,200	115,241	(3)	385	(123,712)	29,111
Issue of share capital	7,200	28,800	-	-	-	36,000
Shares issue expenses	-	(996)	-	-	-	(996)
Transactions with owners	7,200	27,804	-	-	-	35,004
Loss for the period	-	-	-	-	(3,690)	(3,690)
Other comprehensive income	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	(385)	-	(385)
Total comprehensive income for the period	-	-	-	(385)	(3,690)	(4,075)
At 30th June, 2010 (Unaudited)	44,400	143,045	(3)	-	(127,402)	60,040

* These reserve accounts comprise the consolidated reserves of approximately HK\$44,899,000 in the consolidated statement of financial position as at 30th June, 2011 (at 30th June, 2010: approximately HK\$15,640,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2011

	Six months ended 30th June,	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(3,531)	(3,506)
Net cash used in investing activities	(17,810)	(8)
Net cash generated from financing activities	–	35,004
Net (decrease)/increase in cash and cash equivalents	(21,341)	31,490
Cash and cash equivalents at beginning of the period	44,528	13,516
Effect of foreign exchange rate changes	23	–
Cash and cash equivalents at end of the period	23,210	45,006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

1. General information and basis of preparation

Mastermind Capital Limited (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, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is Room 1401-03, 14th Floor, Tower 2, 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, 2011 (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 condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

The condensed consolidated 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 2010 annual financial statements.

The accounting policies and method of computation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st December, 2010.

The Interim Financial Statements were approved for issue by the Board on 30th August, 2011.

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, 2010, 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.

2. Summary of significant accounting policies *(Continued)*

Amended HKFRSs – effective from 1st January, 2011

From 1st January, 2011, the Group has applied for the first time the following amended HKFRSs which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st January, 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Other than as noted below, the adoption of these amended HKFRSs did not result in significant changes in the Group's accounting policies.

Amendment to HKAS 34 – Interim Financial Reporting

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.

HKAS 24 (Revised) – Related Party Disclosures

It clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The Group has not early adopted certain new standards, amendments to standards and interpretations that have been issued at the time of preparing the Interim Financial Statements but are not yet effective. The directors of the Company (the "Directors") anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the period beginning after the effective date of the pronouncements. The Directors are also currently assessing the impact of these new standards, amendments to standards and interpretations but are not yet in a position to state whether they would have material impact on the results and the financial position of the Group.

3. Revenue

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	13	5

4. Other net loss

	Six months ended 30th June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Gain on disposal of financial assets at fair value through profit or loss	586	–
Fair value loss on financial assets at fair value through profit or loss	(896)	–
	(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,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:		
Directors' remuneration	1,020	853
Depreciation on owned assets	153	151
Investment management fees	250	325
Staff costs	655	510
Operating lease charges on 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, 2011 and 2010 as the Group has no assessable profits.

8. Loss per share

The calculation of basic loss per share for the six months ended 30th June, 2011 is based on the loss attributable to owners of the Company of approximately HK\$16,179,000 (six months ended 30th June, 2010: approximately HK\$3,690,000) and 2,131,200,000 (six months ended 30th June, 2010: 1,776,000,000) ordinary shares in issue during the period.

Diluted loss per share has not presented as there were no dilutive potential shares for the period ended 30th June, 2010 and 2011.

9. Property, plant and equipment

	Motor vehicle HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 31st December, 2009 and at 1st January, 2010 (Audited)			
Cost	1,500	–	1,500
Accumulated depreciation	(125)	–	(125)
Net book amount	1,375	–	1,375
Year ended 31st December, 2010 (Audited)			
Opening net book amount	1,375	–	1,375
Additions	–	24	24
Depreciation	(300)	(3)	(303)
Closing net book amount	1,075	21	1,096
At 31st December, 2010 (Audited)			
Cost	1,500	24	1,524
Accumulated depreciation	(425)	(3)	(428)
Net book amount	1,075	21	1,096
At 31st December, 2010 and 1st January, 2011 (Audited)			
Cost	1,500	24	1,524
Accumulated depreciation	(425)	(3)	(428)
Net book amount	1,075	21	1,096
Period ended 30th June, 2011 (Unaudited)			
Opening net book amount	1,075	21	1,096
Additions	–	6	6
Depreciation	(150)	(2)	(152)
Closing net book amount	925	25	950
At 30th June, 2011 (Unaudited)			
Cost	1,500	30	1,530
Accumulated depreciation	(575)	(5)	(580)
Net book amount	925	25	950

10. Available-for-sale financial assets

	30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
Listed equity securities, fair value		
– in Hong Kong	1,773	1,854
– outside Hong Kong	702	500
	2,475	2,354
Unlisted equity securities, at cost	14,293	14,293
Accumulated impairment losses	(3,064)	(3,064)
	11,229	11,229
	13,704	13,583

11. Financial assets at fair value through profit or loss

	30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
Listed equity securities held for trading, at fair value		
– in Hong Kong	6,507	12,400

12. Share capital

	30th June, 2011 (Unaudited)		31st December, 2010 (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>2,131,200,000</u>	<u>53,280</u>	<u>2,131,200,000</u>	<u>53,280</u>

There were no movements of ordinary shares during the period ended 30th June, 2011.

13. Related party transactions

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

	Notes	Six months ended 30th June,	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Office rental paid/payable to a related company	(a)	<u>137</u>	137
Investment management fees paid/ payable to OP Investment Management Limited (formerly known as OP Calypso Capital Limited) ("OPIM")	(b)	<u>250</u>	67
Investment management fees paid to Hua Yu Investment Management Limited ("Hua Yu")	(c)	<u>-</u>	258

13. Related party transactions *(Continued)*

- (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 is HK\$500,000 per annum. The fee was agreed after arms-length negotiations between the Company and OPIM.

Subsequent to the period ended 30th June, 2011, while the Company was negotiating a new investment management agreement with OPIM, the Board has approved the appointment of OPIM as the Company's investment manager for an interim period commencing on the expiry of the Existing Agreement, effectively from 13th May, 2011 to 30th September, 2011. The terms of the appointment during the interim period are substantially the same as those contained in the Existing Agreement.

- (c) On 12th May, 2005, the Company entered into an investment management agreement (the "Agreement") with Hua Yu for a period of two years, with effect from 20th May, 2005. The Agreement was subsequently renewed on 18th April, 2007, 2008 and 17th April, 2009 for a period of one year respectively. Hua Yu resigned as the investment manager of the Company with effective from 13th May, 2010.

Investment management fees paid to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK\$150,000 for every three months.

14. 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 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the period, the Group recorded a loss attributable to owners of the Company of approximately HK\$16,179,000 compared to loss attributable to owners of the Company of approximately HK\$3,690,000 in the corresponding period of 2010. The increase in loss was mainly due to an increase in equity-settled share option expense (non-cash item) of approximately HK\$11,807,000 as a result of the share options granted during the period (six months ended 30th June, 2010: Nil).

Investment review

As at 30th June, 2011, the major investments of the Group were HK\$8,982,000 of a portfolio of listed equity securities and HK\$11,229,000 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, 2011, the Group had cash and cash equivalents approximately HK\$23,210,000 (as at 31st December, 2010: approximately HK\$44,528,000).

As at 30th June, 2011, the Group had net current assets of approximately HK\$30,125,000, as compared to approximately HK\$57,728,000 as at 31st December, 2010.

As at 30th June, 2011, the current ratio of the Group was 35.59 compared to 61.32 at 31st December, 2010.

The Group had no borrowing as at 30th June, 2011 (as at 31st December, 2010: Nil).

Pledge of assets

As at 30th June, 2011, the Group had no pledged of assets to bank to secure banking facilities (as at 31st December, 2010: Nil).

Capital commitment and contingent liabilities

As at 30th June, 2011 and 31st December, 2010, 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 six months ended 30th June, 2011 amounted to approximately HK\$1,675,000 (six months ended 30th June, 2010: approximately HK\$1,363,000).

Prospects

Sale and purchase agreements in relation to certain unlisted direct investments have been signed and pending for completion. The Board expects that a stable return can be provided from such investments subsequently.

As European debt crisis, contracting credit markets and the downgrading of sovereign credit rating, the global economy will be slowdown and vulnerable. The Board will be more prudent to seek for investment opportunities in different business sectors at an acceptable risk level.

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

As at 30th June, 2011, 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 options held	Total interests	% of total issued shares as at 30th June, 2011	Note
		Personal interests	Corporate interests	Personal interests			
MUNG Kin Keung	Interest in controlled corporation	-	1,080,000,000	-	1,080,000,000	50.68	1
	Beneficial owner	-	-	21,000,000	21,000,000	0.98	2
TANG Hao	Beneficial owner	155,200,000	-	17,000,000	172,200,000	8.08	2
HA Wing Ho, Peter	Beneficial owner	-	-	15,000,000	15,000,000	0.70	2
CHEE Man Sang, Eric	Beneficial owner	-	-	15,000,000	15,000,000	0.70	2
Michael STOCKFORD	Beneficial owner	-	-	15,000,000	15,000,000	0.70	2
MUNG Bun Man, Alan	Beneficial owner	-	-	15,000,000	15,000,000	0.70	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 中國天地行物流控股集團有限公司 (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.

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

Other than those disclosed above and in the section headed "Share Option Scheme", at no time during the six months ended 30th June, 2011 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.

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, 2011, 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	% of issued shares as at 30th June, 2011
Greater China Special Value Fund	Beneficial owner	123,200,000	5.78%
OP Calypso Capital (Cayman) Limited	Investment manager	123,200,000	5.78%
UBS AG	Person having a security interest in shares	123,200,000	5.78%

Note:

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") and UBS AG is the custodian of the 123,200,000 shares of the Company held by the GCSV Fund. Therefore, OPCCCL and UBS AG are 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, 2011 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 30th June, 2011	
				Balance as at 1st January, 2011	Granted	Exercised		Cancelled
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
				-	102,500,000	-	-	102,500,000
Employees								
In aggregate	15.4.2011	14.04.2021	HK\$0.27	-	30,000,000	-	-	30,000,000
Other grantees								
In aggregate	15.4.2011	14.04.2021	HK\$0.27	-	11,500,000	-	-	11,500,000
TOTAL				-	144,000,000	-	-	144,000,000

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, 2011 with the Directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has met with the code provisions of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 of the Listing Rules, during the accounting period covered by the interim report except for the following deviation:

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 of the Company held on 24th June, 2011 (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.

CHANGES IN DIRECTORS’ INFORMATION

The changes in information on Directors since the date of the 2010 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Upon review and recommendation of the remuneration committee of the Company, the Board has approved a monthly director fee of HK\$15,000 to Mr. Michael STOCKFORD, an executive Director of the Company, commencing from 1st July, 2011.

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, 30th August, 2011