

譽滿國際（控股）有限公司 Celebrate International Holdings Limited

(Incorporated in the Cayman Islands with limited liability) (於開曼群島註冊成立之有限公司)
Stock code 股份代號：8212



INTERIM REPORT
2012 / 2013

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CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	6,195	70	10,114	118
Cost of sales		(5,979)	(65)	(9,677)	(109)
Gross profit		216	5	437	9
Other income	4	91	-	1,191	-
Selling and distribution expenses		-	-	-	(1)
Administrative and operating expenses		(5,778)	(1,969)	(15,121)	(7,567)
Operating loss		(5,471)	(1,964)	(13,493)	(7,559)
Finance costs	5	(3,556)	(3,842)	(7,009)	(7,364)
Share of loss of a jointly controlled entity		-	(9)	-	(18)
Share of profit of an associate		242	-	285	-
Loss before taxation	6	(8,785)	(5,815)	(20,217)	(14,941)
Income tax	7	-	-	-	-
Net loss for the period		(8,785)	(5,815)	(20,217)	(14,941)
Attributable to:					
Owners of the Company		(8,752)	(5,841)	(20,184)	(14,905)
Non-controlling interests		(33)	26	(33)	(36)
		(8,785)	(5,815)	(20,217)	(14,941)
Loss per share	9		(restated)		(restated)
Basic		(HK1.1 cents)	(HK5.5 cents)	(HK11.2 cents)	(HK13.9 cents)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	For the three months ended 31 December		For the six months ended 31 December	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net loss for the period	(8,785)	(5,815)	(20,217)	(14,941)
Other comprehensive loss:				
Exchange differences arising on translation of foreign operations	-	(52)	-	(50)
Total comprehensive loss for the period	(8,785)	(5,867)	(20,217)	(14,991)
Attributable to:				
Owners of the Company	(8,752)	(5,844)	(20,184)	(14,951)
Non-controlling interests	(33)	(23)	(33)	(40)
Total comprehensive loss for the period	(8,785)	(5,867)	(20,217)	(14,991)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2012 HK\$'000 (Unaudited)	At 30 June 2012 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	10	28,777	26,668
Prepaid lease payments		25,744	26,103
Interest in an associate	11	47,325	–
		101,846	52,771

Current assets			
Inventories		–	63
Trade and other receivables and prepayments	12	13,231	9,976
Financial assets at fair value through profit or loss		13,628	6,137
Bank balances and cash		4,228	3,784
		31,087	19,960

Current liabilities			
Trade and other payables and accrued liabilities	13	38,501	39,927
Net current liabilities		(7,414)	(19,967)

Non-current liabilities			
Deferred tax		263	263
Convertible bond	14	121,771	119,587
		122,034	119,850

NET LIABILITIES		(27,602)	(87,046)

Capital and reserves			
Share capital	15	77	13
Reserves		(29,984)	(89,479)
		(29,907)	(89,466)
Equity attributable to owners of the Company		(29,907)	(89,466)
Non-controlling interests		2,305	2,420
		(27,602)	(87,046)
TOTAL EQUITY		(27,602)	(87,046)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 31 December 2012

	Share capital	Share premium	Convertible bonds reserve	Share Options reserve	Translation reserves	Retained earnings/ (accumulated losses)	Total	Non- controlling interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2012 (Audited)	13	872,746	15,826	78,653	1,847	208	(1,058,759)	(89,466)	2,420	(87,046)
Total comprehensive loss for the period	-	-	-	-	-	-	(20,184)	(20,184)	(33)	(20,217)
Right issue of shares at a subscription price of HK\$0.138 each	64	85,063	-	-	-	-	85,127	-	-	85,127
Redemption of convertible bonds	-	-	-	(5,176)	-	-	(5,176)	-	-	(5,176)
Disposal of subsidiaries	-	-	-	-	-	(208)	-	(208)	(82)	(290)
At 31 December 2012 (Unaudited)	77	957,809	15,826	73,477	1,847	-	(1,078,943)	(29,907)	2,305	(27,602)
At 1 July 2011 (Audited)	213,700	866,989	15,826	83,830	1,847	257	(222,336)	960,113	2,457	962,570
Total comprehensive loss for the period	-	-	-	-	-	(46)	(14,905)	(14,951)	(40)	(14,991)
Redemption of convertible bonds	-	-	-	(4,192)	-	-	-	(4,192)	-	(4,192)
Capital reduction on the par value of ordinary shares from HK\$2.00 each to HK\$0.0001 each	(213,689)	-	-	-	-	-	213,689	-	-	-
At 31 December 2011 (Unaudited)	11	866,989	15,826	79,638	1,847	211	(23,552)	940,970	2,417	943,387

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(14,548)	(4,966)
Net cash used in investing activities	(61,137)	(5,904)
Net cash from financing activities	76,129	–
Net increase/(decrease) in cash and cash equivalents	444	(10,870)
Cash and cash equivalents at beginning of period	3,784	20,976
Effect of foreign exchange rates changes	–	(53)
Cash and cash equivalents at end of period, represented by bank balances and cash	4,228	10,053

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2012

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2012 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The Interim Financial Statements have been prepared under the historical cost convention except that certain intangible assets and financial instruments are measured at fair values. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those adopted by the Group in its annual financial statements for the year ended 30 June 2012 and the Interim Financial Statements. should be read in conjunction with the annual financial statements for the year ended 30 June 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The Interim Financial Statements has been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The directors of the Company have made due care and considerations concerning the appropriateness of going concern in light of the Group's future liquidity requirements and the capital commitments as at 31 December 2012. The Group had net current liabilities of approximately HK\$7.4 million as at 31 December 2012, inclusive of trade and other payables and accrued liabilities of approximately HK\$38.5 million which were due for repayment within the next twelve months. The Group also incurred a consolidated loss of approximately HK\$20.2 million for the six months ended 31 December 2012. After taking into account the future cash flow of the Group, the directors are satisfied that the group will be able to meet its financial obligations as and when they fall due in the foreseeable future, and are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 July 2012, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.



3. SEGMENT INFORMATION

For management purpose, the Group is currently organized into three reportable segments. These reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technology and marketing strategies. Principle activities of these reportable segments are as follows:

- (a) Provision of shrine for memorial ancestor
- (b) Paper-offering business
- (c) Trading of food and beverage

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 31 December 2012 and 2011, respectively.

For the six months ended 31 December 2012

	Provision of shrine for memorial ancestor <i>HK\$'000</i> (Unaudited)	Paper- offering business <i>HK\$'000</i> (Unaudited)	Trading of food and beverage <i>HK\$'000</i> (Unaudited)	Trading of edible oil and mineral materials <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	-	-	10,114	-	10,114
Segment results	(622)	-	(400)	-	(1,022)
Unallocated expenses					(12,471)
Finance costs					(7,009)
Share of profit of an associate					285
Loss before taxation					(20,217)
Income tax					-
Loss for the period					(20,217)

For the six months ended 31 December 2011

	Provision of shrine for memorial ancestor <i>HK\$'000</i> (Unaudited)	Paper- offering business <i>HK\$'000</i> (Unaudited)	Trading of food and beverage <i>HK\$'000</i> (Unaudited)	Trading of edible oil and mineral materials <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	-	118	-	-	118
Segment results	(1,864)	8	-	(10)	(1,864)
Unallocated expenses					(5,693)
Finance costs					(7,364)
Share of loss of a jointly controlled entity					(18)
Loss before taxation					(14,941)
Income tax					-
Loss for the period					(14,941)

The following is an analysis of the Group's assets and liabilities by operating segments:

	At 31 December 2012 <i>HK\$'000</i> (Unaudited)	At 30 June 2012 <i>HK\$'000</i> (Audited)
Segment assets:		
Provision of shrine for memorial ancestors	50,243	50,627
Trading of food and beverage	9,406	495
Paper-offering business	8	149
Trading of edible oil and mineral materials	-	1,160
Unallocated assets	73,276	20,300
	132,933	72,731
Segment liabilities:		
Provision of shrine for memorial ancestors	32,627	37,034
Trading of food and beverage	2,803	-
Paper-offering business	-	-
Trading of edible oil and mineral materials	-	26
Unallocated liabilities	125,105	122,717
	160,535	159,777

Since over 90% of the Group's revenue from external customers is generated in Hong Kong and over 90% of the assets and liabilities of the Group are located in Hong Kong, in the opinion of the Directors, the presentation of geographic information is not meaningful to the users of financial statements, and accordingly, no geographic information is presented.

4. OTHER INCOME

	For the three months ended 31 December		For the six months ended 31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on redemption of convertible bonds	-	-	1,000	-
Bad debts recovered	91	-	186	-
Interest income	-	-	1	-
Sundries	-	-	4	-
	91	-	1,191	-

5. FINANCE COSTS

	For the three months ended 31 December		For the six months ended 31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on borrowings	-	-	2	-
Imputed interest on convertible bonds	3,556	3,842	7,007	7,364
	3,556	3,842	7,009	7,364

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following items:

	For the three months ended 31 December		For the six months ended 31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	5,979	65	9,677	109
Depreciation for plant and equipment	470	16	737	157
Amortisation of prepaid lease payment	179	170	359	348

7. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax had been made as the Group had no assessable profits derived from Hong Kong for the six months ended 31 December 2012 (2011: Nil).

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2012 (2011: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the following data:

	For the three months ended 31 December		For the six months ended 31 December	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)
Loss attributable to owners of Company for the purpose of calculating basic loss per share (HK\$'000)	(8,752)	(5,841)	(20,184)	(14,905)

Number of shares

Weighted average number of ordinary shares for the purpose of diluted loss per share ('000)	767,101	(restated) 106,850	180,658	(restated) 106,850
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Diluted loss per share for all the above periods have not been presented as the outstanding convertible bonds and share options had anti-dilutive effects.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of HK\$2,846,000 (six months ended 31 December 2011: Nil)



11. INTEREST IN AN ASSOCIATE

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Cost of investment in an unlisted associate	47,040	–
Share of post acquisition profits and reserves	285	–
	47,325	–

In August 2012, the Group completed the acquisition of 49% of the total issued share capital of Baron's School of Music Limited (the "Acquisition"), a company which is incorporated in Hong Kong and is principally engaged in providing high quality programmes and courses in both classical and contemporary music. The consideration of HK\$47.04 million for the Acquisition was satisfied by the payment of HK\$2.04 million in cash and the issue of promissory note of HK\$45 million from the Company.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Trade receivables	10,404	3,393
Impairment loss on trade receivables	(2,712)	(2,898)
	7,692	495
Other receivables and prepayments	5,539	9,481
	13,231	9,976

The aging analysis of trade receivables, based on the invoice date, is as follows:

0 to 30 days	2,860	495
31 to 90 days	4,832	–
Over 365 days	2,712	2,898
	10,404	3,393

The fair value of the Group's trade receivables as at above reporting periods approximates to the corresponding carrying amount.

13. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Trade payables	2,762	26
Other payables and accrued liabilities	35,739	39,901
	38,501	39,927

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

0 to 30 days	2,762	–
Over 365 days	–	26
	2,762	26

The fair value of the Group's trade payables as at above reporting periods approximates to the corresponding carrying amount.

14. CONVERTIBLE BONDS

The movements on the liability component of the convertible bonds are as follows:

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
At the beginning of the reporting period	119,587	110,824
Imputed finance cost	7,007	13,586
Repayment of convertible bonds	(4,823)	(4,823)
At the end of the reporting period	121,771	119,587

As a result of the right issue completed in July 2012, the conversion price of the convertible bonds was adjusted from HK\$23.86 per share to HK\$9.902 per share and the number of shares to be issued was adjusted from 7,963,118 shares of HK\$0.0001 each to 19,188,042 shares of HK\$0.0001 each. The number of shares to be issued was further reduced to 18,178,145 as a result of the redemption of the convertible bonds to the extent of HK\$10,000,000 in August 2012.

15. SHARE CAPITAL

	Number of shares		Nominal value	
	At	At	At	At
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
Notes	'000	'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Authorised:				
At the beginning of the reporting period, ordinary shares of HK\$0.0001 each for 1 July 2012 and HK0.1 each for 1 July 2011				
	10,000,000,000	10,000,000	1,000,000	1,000,000
Share consolidation of 20 ordinary shares of HK\$0.1 each into 1 ordinary share of HK\$2 each (a)				
	-	(9,500,000)	-	-
Capital reduction of 1 ordinary share of HK\$2 each into 1 share of HK\$0.0001 each (b)				
	-	9,999,500,000	-	-
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At the end of the reporting period, ordinary shares of HK\$0.0001 each				
	10,000,000,000	10,000,000,000	1,000,000	1,000,000

	Number of shares		Nominal value	
	At	At	At	At
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
Notes	'000	'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Issued and fully paid:				
At the beginning of the reporting period, ordinary shares of HK\$0.0001 each for 1 July 2012 and HK0.1 each for 1 July 2011				
	127,850	2,137,002	13	213,700
Share consolidation of 20 ordinary shares of HK\$0.1 each into 1 ordinary share of HK\$2 each (a)				
	-	(2,030,152)	-	-
Capital reduction of 1 ordinary share of HK\$2 each into 1 share of HK\$0.0001 each (b)				
	-	-	-	(213,689)
Placing of shares, at a price of HK\$0.29 each (c)				
	-	21,000	-	2
Right issue of shares, at a subscription price of HK\$0.138 each (d)				
	639,251	-	64	-
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At the end of the reporting period, ordinary shares of HK\$0.0001 each				
	767,101	127,850	77	13

Notes:

- (a) In July 2011, the Company proposed a share consolidation of every 20 issued and unissued shares of HK\$0.1 each into 1 consolidated share of HK\$2.00 each. As approved by shareholders at the extraordinary meeting held on 22 August 2011, the share consolidation became effective on 23 August 2011.
- (b) In July 2011, the Company proposed a capital reduction of the par value of each issued ordinary share from HK\$2.00 to HK\$0.0001 by cancelling the paid up capital to the extent of HK\$1.9999 on each issued ordinary share. Immediately following the aforesaid capital reduction, each of the authorized but unissued shares of HK\$2.00 each is sub-divided into 20,000 unissued shares of HK\$0.0001. Upon receipt of the order granted by the Grand Court of the Cayman Islands and other relevant documents duly filed and registered with the Registrar of Companies in the Cayman Islands, the capital reduction and the share sub-division became effective on 20 December 2011.
- (c) In January 2012, the Company entered into a placing agreement with a placing agent for placing an aggregate of 21,000,000 shares to not less than 6 independent places at a price of HK\$0.29 per placing share. The net proceed received from the placing was HK\$5,759,000. The placing was completed in January 2012.
- (d) In May 2012, the Company proposed a rights issue on the basis of five rights shares for every one existing share held. In July 2012, 639,250,500 rights shares were allocated and issued to the qualifying shareholders at a subscription price of HK\$0.138 per rights share. The rights shares rank pari passu in all respects with the existing shares of the Company. The rights issue was approved by shareholders in June 2012 and completed in July 2012.

16. RELATED-PARTY TRANSACTIONS

Compensation of key management personnel of the Group during the period was as follows:

	For the three months ended 31 December		For the six months ended 31 December	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Short-term benefits	1,020	1,260	2,128	2,430
Post-employment benefits	22	11	41	23
	1,042	1,271	2,169	2,453

17. OPERATING LEASE COMMITMENTS

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Within one year	2,682	2,383
After one year but within five year	6,619	6,511
	9,301	8,894

18. PLEDGED ASSETS

At the end of the reporting period, the following assets were pledged to a financial institution to secure a loan facility granted to the Group:

	At 31 December 2012 HK\$'000 (Unaudited)	At 30 June 2012 HK\$'000 (Audited)
Prepaid lease payments	25,744	–
Construction in progress	23,711	–
	49,455	–

19. EVENT AFTER THE REPORTING PERIOD

On 1 February 2013, the Company announced that the Company entered into a sales and purchase agreement with Mr. Chan Kai Kok ("Mr. Chan"), pursuant to which the Company conditionally agreed to sell, and Mr. Chan conditionally agreed to purchase the entire issued share capital of Sea Marvel Limited at a total consideration of HK\$8 million (the "Disposal"). Sea Marvel Limited is a wholly-owned subsidiary of the Company and is engaged in investment holding for its subsidiaries which are in turn engaged in the development and provision of shrine for memorial ancestor and sale of paper-offering products. Details of the Disposal are set out in the announcement of the Company dated 1 February 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Shrine Business

During the the six months ended 30 June 2012, the Group was still confronted by a harsh and severe situation owing to the fact that the shrine business, being the core business of the Group, was significantly and adversely affected by the government's columbarium policy and the judicial review proceedings of the Group (the "**Judicial Review**") against the notices dated 22 October 2010 issued by the Planning Department under section 23(1) of the Town Planning Ordinance in relation to Lot 2073 in Demarcation District No. 104 (the "**Lots**").

By the reasons of judgment of the Court of Appeal of the High Court dated 17 July 2012 (the "**Judgment**"), the Court of Appeal came to the view that the relevant Outline Zoning Plan ("**OZP**") does not include the type of use of development of the Lots which the columbarium known as "The Shrine" represents. Such use or the development of the Lots is not an always permitted use or development within the meaning of the notes to the OZP. For the above reasons, the Court of Appeal dismissed the appeal for the Judicial Review.

The Company disagrees with the view of the Court of Appeal and the Judgment. Accordingly, on 5 November 2012, the subsidiaries of the Company filed the Notice of Motion to the Court of Final Appeal making application for leave from the Court of Final Appeal against the Judgment of the Court of Appeal dated 17 July 2012. The Court will appoint a hearing date for the application at a later time.

Having considered that the shrine business was affected by the government's columbarium policy and the result of the further appeal against the Judgment to the Court of Final Appeal has not been determined yet, the Board considers that there are uncertainties on the future operation of the shrine business and therefore, on 1 February 2013, the Company announced that it entered into a sales and purchase agreement to dispose of Sea Marvel Limited and its subsidiaries (the "Sea Marvel Group") for a total consideration of HK\$8 million. Upon completion of disposal of the Sea Marvel Group, the Group will cease to operate the shrine business and reallocate its resources to other investment opportunities which may generate a better return.



Paper-offering business

The paper-offering business was also adversely affected by the Judicial Review described above as this business segment is interlinked with the shrine business. As referred to under “**Business Review – Shrine Business**” above, the Company announced that it entered into a sales and purchase agreement to dispose of the Sea Marvel Group for a total consideration of HK\$8 million on 1 February 2013. As the Sea Marvel Group is also engaged in the paper-offering business, the Group will cease to operate this business segment all together upon completion of the disposal.

Food and beverage

In order to supplement the performance of our core business and diversify the investment opportunities, we have commenced trading in food and beverage in June 2012. We have further invested into a food processing centre in September 2012 so as to provide more value-added services to our customers.

During the six months ended 31 December 2012, this business segment generated sales revenue of approximately HK\$10.1 million, which is the main revenue driver of the Group during this six months period.

Edible oil trading business

The edible oil trading business did not perform satisfactorily as a result of the weak demand in global market. In view of the historical poor performance, we have disposed of this segment in September 2012 so as to focus on our principal business and explore other businesses which would generate higher return. As a result, a loss of approximately HK\$0.8 million was recognized from the disposal of the segment.

Prospects

In order to diversify the Group’s business and strengthen its profitability, the Group entered into a new business segment, food and beverage, in June 2012. We are pleased with the performance of the segment in its initial period of operations and are optimistic about its prospect as demands for quality food have been persistently high in light of the fast growth of the tourism industry in Hong Kong while supply has been limited.

The Board will continue to develop the food and beverage business upon completion of disposal of the Sea Marvel Group as mentioned above and to explore other potential investment opportunities so as to broaden our business horizon.

Financial Review

The Group posted an unaudited consolidated revenue of approximately HK\$10.1 million for the six months ended 31 December 2012 (six months ended 31 December 2011: HK\$118,000), representing a substantial increase of approximately HK\$10.0 million or approximately 8,471% as compared to the six months ended 31 December 2011. The significant increase was primarily attributable to the revenue contributed by the new business segment, food and beverage, which only commenced trading in June 2012.

Operating loss has increased substantially from approximately HK\$7.6 million for the six months ended 31 December 2011 to approximately HK\$13.5 million for the six months ended 31 December 2012, representing an increase of approximately HK\$5.9 million which was mainly due to an increase in administrative and operating expenses of HK\$7.5 million from approximately HK\$7.6 million to approximately HK\$15.1 million. This is mainly resulted from the increase in (i) legal and professional fees relating to the right issues and appeals against the judgment from the judiciary review; (ii) operating lease rental for the new office premises.

Share of profit of an associate amounting to approximately HK\$285,000 represents share of results of the Group's 49% interest in Baron's School of Music Limited ("**Baron**"), which was acquired in August 2012. Baron was founded and is currently operated by a famous producer in Hong Kong, Mr. Ronald Ng. It is principally engaged in providing high quality programmes and courses in both classical and contemporary music.

To further strengthen the Group's financial resources and its operations as well as its future expansion, the Company raised approximately HK\$88.22 million before expenses by way of a right issue at a subscription price of HK\$0.138 per rights share on the basis of 5 rights shares for every 1 existing share held. On 20 July 2012, 639,250,500 shares of the Company were issued and allotted accordingly.



Liquidity and financial resources

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately HK\$4.2 million (30 June 2012: approximately HK\$3.8 million). The Group's borrowings as at 31 December 2012 consisted of convertible bonds of HK\$121.8 million (30 June 2012: HK\$119.6 million) only. The gearing ratio, expressed as a percentage of total debts over total assets was about 120.8% (30 June 2012: 219.7%). The gearing ratio has reduced by approximately 45.0% compared to that of 30 June 2012 due to the increase in interest in an associate, increase in trade and other receivables and prepayments and increase in financial assets at fair value through profit or loss.

Contingent liabilities

As at 31 December 2012, the Group had no contingent liabilities (30 June 2012: Nil).

Exposure to fluctuations in exchange rates and related hedges

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are mainly settled in Hong Kong dollars. The Board considers its exposure to foreign exchange risk was not significant, therefore, no financial instrument was made to hedge such exposures.

Charge on Group Assets

As at 31 December 2012, the Group's prepaid lease payments and construction in progress with a carrying amount of HK\$25.7 million (30 June 2012: Nil) and HK\$23.7 million (30 June 2012: Nil) respectively were pledged to secure a loan facility granted to the Group.

Capital Structure

In May 2012, the Company announced to raise approximately HK\$88.22 million before expenses by way of a right issue at a subscription price of HK\$0.138 per rights share on the basis of 5 rights shares for every 1 existing share held (the "**Rights Issue**"). The Rights Issue was approved by the independent shareholders at the extraordinary general meeting of the Company held on 18 June 2012 and became unconditional on 13 July 2012. 635,250,500 shares of the Company were issued and allotted on 20 July 2012 accordingly.

As at 31 December 2012, the total number of issued shares of the Company was 767,100,600 shares of HK\$0.0001 each (30 June 2012: 127,850,100 shares of HK\$0.0001 each).

Material Acquisition and Disposal

In February 2012, the Group entered into an agreement to acquire 49% of the total issued share capital of Baron's School of Music Limited, a company which is principally engaged in providing high quality programmes and courses in both classical and contemporary music, for a consideration of HK\$47.04 million which is satisfied by (i) HK\$2.04 million in cash; and (ii) HK\$45 million by the issue of promissory note from the Company. The aforesaid acquisition was completed in August 2012.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries and associated company by the Group during the six months ended 31 December 2012.

Significant Investment

The Group has invested in shares of certain companies, the shares of which are traded on the Stock Exchange of Hong Kong Limited. As at 31 December 2012, the Group held available-for-sale financial assets at fair value through profit and loss amounted to approximately HK\$13.6 million (30 June 2012: HK\$6.1 million).

Save as disclosed above, the Group did not have any significant investment as at 31 December 2012.

Employees, Remuneration policies and Share Option Scheme

As at 31 December 2012, the Group had about 17 staff (30 June 2012: 13). The aggregate staff costs and Director's remuneration for the six months ended 31 December 2012 amounted to approximately HK\$2.2 million (six months ended 31 December 2011: HK\$4.0 million). The Group's remuneration policy is formulated on the basis of the performance and experience of individual employee and is in line with the market practices. The Group offers to its employees other fringe benefits including Mandatory Provident Fund and medical benefits. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have 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 maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interests/ Capacity	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Lam Wai Pong	Personal	–	332,937 (Note)	0.043%

Note:

The personal interest of Mr. Lam Wai Pong represents an interest in 332,937 underlying shares in respect of options granted by the company as detailed below.

Share Option Scheme

Details of movements in the share options under the share option scheme during the period ended 31 December 2012 are as follows:

Name	Date of grant	Number of share options outstanding as at 1 July 2012	Lapsed during the period	Number of share options outstanding as at 31 December 2012	Exercise price (HK\$ per share)	Exercise period
Mr. Lam Wai Pong	2 February 2011	332,937 (Note)	-	332,937	3.21 (Note)	2 February 2011 to 1 February 2016
Mr. Lau Chi Kwong	2 February 2011	332,937 (Note)	(332,937)	-	3.21 (Note)	2 February 2011 to 1 February 2016

Save as disclosed above, during the period ended 31 December 2012, none of the Directors or chief executive of the Company has any interests or short positions 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) 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 Rules 5.46 to 5.66 of the GEM Listing Rules.

Note:

As a result of the right issue completed on 13 July 2012, the exercise price and the number of share options outstanding as at 1 July 2012 were adjusted to HK\$3.21 and 332,937 respectively.

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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

As at 31 December 2012, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary shares held	Percentage of shareholding
Wong Ying Seung Asiong	Beneficial owner	109,500,000	14.27%

Save as disclosed above, as at 31 December 2012, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' dealing in securities of the Company. The Company's Directors have complied with such code of conduct and the required standard of dealings.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Code on Corporate Governance Practices of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee consisted of three independent non-executive Directors, namely Ms. Chan Wan Yee, Mr. Siu Kwok Chung and Mr. Sit Bun. Ms. Chan Wan Yee is the chairman of the audit committee. The Group's unaudited results for the six months ended 31 December 2012 had been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.



REPORT ON CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code throughout the six months ended 31 December 2012, except the following deviation:

Code provision A.4.1 stipulates that non-executive directors should be appointed for specific terms. The Company has deviated from this provision in that the independent non-executive directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

By Order of the Board

CELEBRATE INTERNATIONAL HOLDINGS LIMITED

譽滿國際(控股)有限公司

Lam Wai Pong

Chairman & Executive Director

Hong Kong, 6 February 2013