

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

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8212

2013 / 2014 INTERIM REPORT

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

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

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

Hong Kong Exchanges and Clearing Limited and Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the board of directors (“**Directors**”) of Celebrate International Holdings Limited (“**Company**”, and together with its subsidiaries “**Group**”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | For the three months ended 31 December | | For the six months ended 31 December | |
|---|-------|---|---|---|---|
| | | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) (Re-presented) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) (Re-presented) |
| Continuing operations | | | | | |
| Revenue | 3 | 1,409 | 6,195 | 4,435 | 10,114 |
| Cost of sales | | (1,368) | (5,979) | (4,302) | (9,677) |
| Gross profit | | 41 | 216 | 133 | 437 |
| Other income | 4 | - | - | - | 1,002 |
| Administrative and operating expenses | | (3,592) | (4,636) | (6,987) | (10,805) |
| Gain on disposal of financial assets at fair value through profit or loss | | 1,943 | - | 1,738 | - |
| Change in fair value of financial assets through profit or loss | | 3,631 | (745) | 3,692 | (2,601) |
| Loss from operations | | 2,023 | (5,165) | (1,424) | (11,967) |
| Finance costs | 5 | (3,797) | (3,556) | (7,476) | (7,009) |
| Share of (loss)/profit of an associate | | (88) | 242 | (81) | 285 |
| Loss before taxation | 6 | (1,862) | (8,479) | (8,981) | (18,691) |
| Income tax | 7 | - | - | - | - |
| Loss for the period from continuing operations | | (1,862) | (8,479) | (8,981) | (18,691) |
| Discontinued operations | | | | | |
| Loss for the period from discontinued operations | 8 | - | (306) | - | (1,526) |
| Loss for the period | | (1,862) | (8,785) | (8,981) | (20,217) |

| Note | For the three months ended 31 December | | For the six months ended 31 December | |
|---|---|---|---|---|
| | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) (Re-presented) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) (Re-presented) |
| Attributable to: | | | | |
| Owners of the Company | | | | |
| – From continuing operations | (1,862) | (8,479) | (8,981) | (18,691) |
| – From discontinued operations | – | (273) | – | (1,493) |
| | (1,862) | (8,752) | (8,981) | (20,184) |
| Non-controlling interests | | | | |
| – From continuing operations | – | – | – | – |
| – From discontinued operations | – | (33) | – | (33) |
| | (1,862) | (8,785) | (8,981) | (20,217) |
| Loss per share 10 | | | | |
| From continuing and discontinued operations | | | | |
| Basic | (HK0.24 cent) | (HK1.14 cents) | (HK1.17 cents) | (HK11.17 cents) |
| Diluted | N/A | N/A | N/A | N/A |
| From continuing operations | | | | |
| Basic | (HK0.24 cent) | (HK1.11 cents) | (HK1.17 cents) | (HK10.35 cents) |
| Diluted | N/A | N/A | N/A | N/A |
| From discontinued operations | | | | |
| Basic | – | (HK0.04 cent) | – | (HK0.83 cent) |
| 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 | |
|---|---|---|---|---|
| | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) (Re-presented) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) (Re-presented) |
| Loss for the period | (1,862) | (8,785) | (8,981) | (20,217) |
| Other comprehensive loss | - | - | - | - |
| Total comprehensive loss for the period | (1,862) | (8,785) | (8,981) | (20,217) |
| Attributable to: | | | | |
| Owners of the Company | (1,862) | (8,752) | (8,981) | (20,184) |
| Non-controlling interests | - | (33) | - | (33) |
| Total comprehensive loss for the period | (1,862) | (8,785) | (8,981) | (20,217) |
| Total comprehensive loss attributable to owners of the Company arising from: | | | | |
| Continuing operations | (1,862) | (8,479) | (8,981) | (18,691) |
| Discontinued operations | - | (273) | - | (1,493) |
| | (1,862) | (8,752) | (8,981) | (20,184) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) |
|---|----|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 4,198 | 3,873 |
| Investment in an associate | | 47,058 | 47,139 |
| | | 51,256 | 51,012 |
| Current assets | | | |
| Trade and other receivables and prepayments | 11 | 9,372 | 7,483 |
| Financial assets at fair value through profit or loss | | 11,604 | 13,287 |
| Bank balances and cash | | 1,547 | 908 |
| | | 22,523 | 21,678 |
| Current liabilities | | | |
| Trade and other payables and accrued liabilities | 12 | 6,575 | 3,978 |
| Net current assets | | 15,948 | 17,700 |
| Non-current liabilities | | | |
| Convertible bonds | 13 | 131,303 | 123,830 |
| NET LIABILITIES | | (64,099) | (55,118) |
| Capital and reserves | | | |
| Share capital | 14 | 77 | 77 |
| Reserves | | (64,176) | (55,195) |
| Equity attributable to owners of the Company | | (64,099) | (55,118) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 31 December 2013

| | Share capital | Share premium | Convertible Capital reserve | Convertible bonds reserve | Share Options reserve | Translation reserves | 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 | HK\$'000 |
| At 1 July 2013 (Audited) | 77 | 957,809 | 15,826 | 68,652 | 616 | - | (1,098,098) | (55,118) | - | (55,118) |
| Total comprehensive loss for the period | - | - | - | - | - | - | (8,981) | (8,981) | - | (8,981) |
| Lapse of share options | - | - | - | - | (616) | - | 616 | - | - | - |
| At 31 December 2013 (Unaudited) | 77 | 957,809 | 15,826 | 68,652 | - | - | (1,106,463) | (64,099) | - | (64,099) |
| 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) |
| Redemption of convertible bonds | - | - | - | (5,176) | - | - | - | (5,176) | - | (5,176) |
| Right issue of shares at a subscription price of HK\$0.138 each | 64 | 85,063 | - | - | - | - | - | 85,127 | - | 85,127 |
| 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 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 31 December | |
|--|---|--|
| | 2013 HK\$'000 (Unaudited) | 2012 <i>HK\$'000</i> (Unaudited) |
| Net cash used in operating activities | (5,281) | (14,548) |
| Net cash generated from/(used in) investing activities | 5,920 | (61,137) |
| Net cash from financing activities | – | 76,129 |
| Net increase in cash and cash equivalents | 639 | 444 |
| Cash and cash equivalents at beginning of period | 908 | 3,784 |
| Cash and cash equivalents at end of period, represented by bank balances and cash | 1,547 | 4,228 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2013 (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 2013 and the Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2013, 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. In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group. The Group incurred a net loss of approximately HK\$9.0 million for the six months ended 31 December 2013 and the Group's total liabilities exceeded its total assets by approximately HK\$64.1 million as at 31 December 2013. Nevertheless, in the opinion of the directors, it is appropriate to prepare the consolidated financial statements for the six months ended 31 December 2013 on a going concern basis because (i) the Group has net current assets of approximately HK\$15.9 million as at 31 December 2013; (ii) terms and conditions of the Group's convertible bonds of approximately HK\$131.3 million as at 31 December 2013 will be amended to allow the Company to elect cash settlement or by issuing conversion shares pursuant to the convertible bonds; and (iii) Placing of 153,420,120 shares of the Company announced on 15 January 2014 and completed on 28 January 2014 would provide additional working capital of HK\$36.7 million arising from the net proceeds from the placing.

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 ("HKFRS"). For those which are effective for accounting periods beginning on 1 July 2013, 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

Revenue represents the amount received and receivable for goods sold and services provided in the normal course of business, net of discounts and returns, in respect of trading of food and beverage. All the Group's assets and liabilities are attributed to trading of food and beverage as at 31 December 2013 and 30 June 2013.

Subsequent to the discontinuation of trading of edible oil and mineral materials, and the shrine and paper offering businesses during the year ended 30 June 2013, the Group continues to operate in one single business segment, being trading of food and beverage, which is the only business segment operated by the Group for the six months ended 31 December 2013.

All the Group's income is derived from operations carried out in Hong Kong and all the Group's assets are located in Hong Kong. Accordingly, no analysis of the Group's segmental information by geographical segments is presented.

4. OTHER INCOME

| | For the three months ended 31 December | | For the six months ended 31 December | |
|--|---|---------------------------------|---|---------------------------------|
| | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) |
| Gain on redemption of convertible bonds | - | - | - | 1,000 |
| Interest income | - | - | - | 1 |
| Sundries | - | - | - | 1 |
| | - | - | - | 1,002 |

5. FINANCE COSTS

| | For the three months ended 31 December | | For the six months ended 31 December | |
|---------------------------------------|---|---------------------------------|---|---------------------------------|
| | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) |
| Interest expenses on borrowings | 3 | - | 3 | 2 |
| Imputed interest on convertible bonds | 3,794 | 3,556 | 7,473 | 7,007 |
| | 3,797 | 3,556 | 7,476 | 7,009 |

6. LOSS BEFORE TAXATION

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

| | For the three months ended 31 December 2013 | | For the six months ended 31 December 2013 | |
|--------------------------------------|---|---------------------------------|---|---------------------------------|
| | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) |
| Cost of inventories sold | 1,368 | 5,979 | 4,302 | 9,677 |
| Depreciation for plant and equipment | 490 | 426 | 868 | 670 |
| Operating lease expenses | 723 | 721 | 1,446 | 1,418 |

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 are exempted from payment of income taxes of the British Virgin Islands accordingly.

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 2013 (2012: Nil).

8. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

During the year ended 30 June 2013, the Group discontinued trading of edible oil and mineral materials, and the shrine and paper-offering businesses upon disposal of Top Entrepreneur Profits Limited and its subsidiaries ("TEP Group") and Sea Marvel Limited and its subsidiaries ("Sea Marvel Group") respectively. The loss of HK\$1,526,000 from discontinued operations for the six months ended 31 December 2012 represents the aggregate losses arising from the operations of the TEP Group and the Sea Marvel Group for the six months ended 31 December 2012.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2013 (2012: Nil).

10. LOSS PER SHARE

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

(a) From continuing and discontinued operations

| | For the three months ended 31 December | | For the six months ended 31 December | |
|---|---|---------------------|---|---------------------|
| | 2013 (Unaudited) | 2012 (Unaudited) | 2013 (Unaudited) | 2012 (Unaudited) |
| Loss attributable to owners of Company from continuing and discontinued operations for the purpose of calculating basic loss per share (HK\$'000) | (1,862) | (8,752) | (8,981) | (20,184) |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share ('000) | 767,101 | 767,101 | 767,101 | 180,658 |

Diluted loss per share for all the above periods have not been presented as the outstanding convertible bonds had anti-dilutive effects.

(b) From continuing operations

| | For the three months ended 31 December | | For the six months ended 31 December | |
|--|---|---------------------|---|---------------------|
| | 2013 (Unaudited) | 2012 (Unaudited) | 2013 (Unaudited) | 2012 (Unaudited) |
| Loss attributable to owners of Company from continuing operations for the purpose of calculating basic loss per share (HK\$'000) | (1,862) | (8,479) | (8,981) | (18,691) |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share ('000) | 767,101 | 767,101 | 767,101 | 180,658 |

Diluted loss per share for all the above periods have not been presented as the outstanding convertible bonds had anti-dilutive effects.

(c) From discontinued operations

| | For the three months ended 31 December 2013 | | For the six months ended 31 December 2012 | |
|--|---|-------------|---|-------------|
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Loss attributable to owners of Company from discontinued operations for the purpose of calculating basic loss per share (HK\$'000) | - | (273) | - | (1,493) |

| | | | | |
|---|----------------|---------|----------------|---------|
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share ('000) | 767,101 | 767,101 | 767,101 | 180,658 |
|---|----------------|---------|----------------|---------|

Diluted loss per share for all the above periods have not been presented as the outstanding convertible bonds had anti-dilutive effects.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) |
|--------------------------------------|--|--|
| Trade receivables | 7,059 | 6,273 |
| Other receivables and prepayments | 2,835 | 1,732 |
| Impairment loss on other receivables | (522) | (522) |
| | 9,372 | 7,483 |

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

| | | |
|---------------|--------------|-------|
| 0 to 30 days | 608 | 444 |
| 31 to 60 days | 337 | - |
| 61 to 90 days | 465 | - |
| Over 90 days | 5,649 | 5,829 |
| | 7,059 | 6,273 |

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

12. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

| | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) |
|--|---|--|
| Trade payables | 1,799 | 1,193 |
| Other payables and accrued liabilities | 4,776 | 2,785 |
| | 6,575 | 3,978 |

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

| | | |
|---------------|--------------|-------|
| 0 to 30 days | 590 | 980 |
| 31 to 60 days | 327 | – |
| 61 to 90 days | 451 | 173 |
| Over 90 days | 431 | 40 |
| | 1,799 | 1,193 |

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

13. CONVERTIBLE BONDS

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

| | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) |
|--|---|--|
| At the beginning of the reporting period | 123,830 | 119,587 |
| Imputed finance cost | 7,473 | 14,245 |
| Repayment of convertible bonds | – | (10,002) |
| At the end of the reporting period | 131,303 | 123,830 |

14. SHARE CAPITAL

| | Nominal value | | Number of shares | |
|---|--|--|--|--|
| | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) |
| Authorised: | | | | |
| At the beginning 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 |
| Issued and fully paid: | | | | |
| At the beginning of the reporting period, ordinary shares of HK\$0.0001 each | 77 | 13 | 767,101 | 127,850 |
| Right issue of shares, at a subscription price of HK\$0.138 each (Note) | - | 64 | - | 639,251 |
| At the end of the reporting period, ordinary shares of HK\$0.0001 each | 77 | 77 | 767,101 | 767,101 |

Note:

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 allotted 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.

15. RELATED-PARTY TRANSACTIONS

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

| | For the three months ended 31 December 2013 HK\$'000 (Unaudited) | | For the six months ended 31 December 2013 HK\$'000 (Unaudited) | |
|--------------------------|--|---------------------------------|--|---------------------------------|
| | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) | 2013 HK\$'000 (Unaudited) | 2012 HK\$'000 (Unaudited) |
| Short-term benefits | 270 | 519 | 540 | 1,258 |
| Post-employment benefits | - | 4 | - | 11 |
| | 270 | 523 | 540 | 1,269 |

16. OPERATING LEASE COMMITMENTS

| | At 31 December 2013 HK\$'000 (Unaudited) | At 30 June 2013 HK\$'000 (Audited) |
|-------------------------------------|---|--|
| Within one year | 2,903 | 2,830 |
| After one year but within five year | 3,926 | 6,191 |
| | 6,829 | 9,021 |

17. COMPARATIVE FIGURES

As a result of the discontinuation of trading of edible oil and mineral materials, and the shrine and paper offering businesses during the year ended 30 June 2013, certain comparative figures have been re-presented to conform with the disclosure requirements of HKFRS5 "Non-current Assets Held for Sale and Discontinued Operations".

18. EVENTS AFTER THE REPORTING PERIOD

- (a) On 15 January 2014, the Company entered into a placing agreement with Enerchine Securities Limited ("Placing Agent") pursuant to which the Placing Agent has conditionally agreed to place 153,420,120 shares of the Company on a fully underwritten basis to not less than six placees, at a price of HK\$0.25 per share ("Placing"). Details of the Placing were set out in the Company's announcement dated 15 January 2014. The Placing was completed on 28 January 2014 and the net proceeds of HK\$36.70 million from the Placing was received thereafter.
- (b) On 16 January 2014, the Company and the bondholders of the existing redeemable convertible bonds ("CB") issued by the Company on 27 May 2010 entered into a deed of amendment ("Deed of Amendment") to amend certain terms and conditions ("Amendments") of the CB. Principal terms of the Deed of Amendment were set out in the Company's announcement dated 16 January 2014. As of the date of this report, the Amendments have not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

Further to the discontinuation of the shine and paper-offering businesses subsequent to the completion of the disposal of Sea Marvel Limited in the fiscal year 2013, the Group has consolidated its efforts to focus on trading of food and beverage. As a result, the Group has adopted a new strategic measure to rationalize the customer mix of the food and beverage business in order to attain long-term growth and stability of the business. This has, nevertheless, caused a temporary cutback in revenue and a reduction in gross profit during the six months ended 31 December 2013 as compared to the corresponding period in 2012.

The Board believes that the future performance of this business is quite optimistic as demands for quality food is persistently high in light of the fast growth of tourism in Hong Kong while supply is limited. By adopting the new strategic measure mentioned above, it is believed that the Group is able to further enhance the quality of its customers and capture a portion of this vast market going forward. Therefore, the Group would continue its effort in further developing the business.

In line with our corporate mission to explore other potential investment opportunities so as to broaden our business horizon, the Company announced that the Group entered into a sales and purchase agreement (the “**Agreement**”) with an independent third party to acquire conditionally the entire issued share capital of Lakezone Limited (“**Lakezone**”) for a consideration of HK\$500,000,000 on 7 October 2013. The consideration will be satisfied as to (i) HK\$40,000,000 in cash; (ii) HK\$85,233,400 by the allotment and issue of 85,233,400 ordinary shares of the Company at the issue price of HK\$1.00 per share; and (iii) HK\$374,766,600 by the issue of promissory note of the same amount by the Company. Lakezone and its subsidiaries intend to engage in the distribution and sales of cigarettes in China. However, the Agreement was terminated on 5 December 2013 by mutual consent as the Board considers that it would be impossible for all the conditions precedent including the completion of the due diligence investigation of Lakezone and its subsidiaries having been satisfied on or before the long stop date as stated in the Agreement.

Nevertheless, the Board continues to explore other potential investment opportunities and therefore, on 17 December 2013, the Group entered into a memorandum of understanding in relation to a proposed acquisition of 100% equity interest in a target group which is principally engaged in the production and sales of microorganism fertilizers in China. The Board is quite optimistic about the said proposed acquisition and believes that a formal agreement will be entered into in not too distant future.

Since 2012, the Company has been seeking additional financial resources to improve the working capital of the Group through various fund raising exercises including placing of new shares and rights issue. Further, the Company had disposed certain non-performing businesses and has explored investments with potentially positive business prospects from time to time so as to improve the overall financial position of the Group. Accordingly, the Group narrowed down the loss for the year ended 30 June 2013 to approximately HK\$40.6 million from approximately HK\$1,050.2 million for the year ended 30 June 2012. However, the Group was still loss-making and unable to generate an overall positive profit from its existing business operations. Therefore, on 15 January 2014, the Company announced placing of 153,420,120 shares of the Company to not less than six places at a price of HK\$0.25 per share (the “**Placing**”). The net proceeds from the Placing amounting to HK\$36.70 million which will be applied as general working capital of the Group, will strengthen the financial position for future development of the Group.

Apart from the Placing mentioned above, on 16 January 2014, the Company entered into a deed of amendment with its bondholders of the existing redeemable convertible bonds (“**CB**”) to amend certain terms and conditions of the CB with an aggregate outstanding principal amount of HK\$170 million. Under the said deed of amendment, the Company is allowed to elect cash settlement or by issuing conversion shares pursuant to the CB. In the event that the Company chooses to redeem the CB by issuing the conversion shares, the Company’s liabilities will be reduced and the Company’s equity base will be enlarged which in turn shall improve the financial position and gearing of the Group.

Financial Review

The Group posted an unaudited consolidated revenue of approximately HK\$4.4 million for the six months ended 31 December 2013 (six months ended 31 December 2012: approximately HK\$10.1 million), representing a reduction of approximately HK\$5.7 million or 56.4% as compared to the six months ended 31 December 2012. The reduction in revenue was primarily attributable to our strategic measure in the change of our customer mix, which results in the cutback of turnover in our food and beverage business. This strategic measure also explained why the gross profit margin has experienced a reduction of approximately 1.3 percentage points from approximately 4.3% for the six months ended 31 December 2012 to approximately 3.0% for the six months ended 31 December 2013.

Loss from operations from continuing operations has also reduced from approximately HK\$12.0 million for the six months ended 31 December 2012 to approximately HK\$1.4 million for the six months ended 31 December 2013, representing a substantial decrease of approximately HK\$10.6 million. This is primarily attributed to: (i) the significant reduction in administrative and operating expenses of approximately HK\$3.8 million from approximately HK\$10.8 million incurred for the six months ended 31 December 2012 to approximately HK\$7.0 million incurred for the six months ended 31 December 2013, resulting from the conscientious effort of the management in controlling the operating expenses of the Group; and (ii) a gain of approximately HK\$1.7 million arising from disposal of listed securities and an upward movement of approximately HK\$3.7 million in the fair value of the listed securities.

Share of loss of an associate amounting to HK\$81,000 for the six months ended 31 December 2013 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.

Liquidity and financial resources

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately HK\$1.5 million (30 June 2013: approximately HK\$908,000). The Group's borrowings as at 31 December 2013 consisted of convertible bonds of approximately HK\$131.3 million (30 June 2013: HK\$123.8 million) only. The gearing ratio, expressed as a percentage of total debts over total assets was about 186.9% (30 June 2013: 175.8%).

Contingent liabilities

As at 31 December 2013, the Group had no contingent liabilities (30 June 2013: 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 2013, the Group did not have any charge on its assets (30 June 2013: Nil).

Capital Structure

As at 31 December 2013, the total number of issued shares of the Company was 767,100,600 ordinary shares of HK\$0.0001 each (30 June 2013: 767,100,600 ordinary shares of HK\$0.0001 each).

Material Acquisition and Disposal

There was no material acquisition and disposal of subsidiaries and associated company by the Group during the six months ended 31 December 2013.

Investment in Listed Securities

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 2013, the Group held available-for-sale financial assets at fair value through profit and loss amounted to approximately HK\$11.6 million (30 June 2013: HK\$13.3 million).

Save as disclosed above, the Group did not have any investment in listed securities as at 31 December 2013.

Employees, Remuneration policies and Share Option Scheme

As at 31 December 2013, the Group had 20 staff (31 December 2012: 17). The aggregate staff costs and Director's remuneration for the six months ended 31 December 2013 amounted to approximately HK\$1.7 million (six months ended 31 December 2012: HK\$2.2 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 2013, there was no interest and short position 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.

Share Option Scheme

Details of movements in the share options under the share option scheme during the period ended 31 December 2013 are as follows:

| Name | Date of grant | Number of share options outstanding as at 1 July 2013 | Lapsed during the period | Number of share options outstanding as at 31 December 2013 | Exercised price (HK\$ per share) | Exercised period |
|------------------|-----------------|---|--------------------------|--|----------------------------------|---------------------------------------|
| Mr. Lam Wai Pong | 2 February 2011 | 332,937 | (332,937) | - | 3.21 | 2 February 2011 to 1 February 2016 |

Save as disclosed above, during the period ended 31 December 2013, 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.

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 2013, so far as is known to the Directors and the chief executives of the Company, there was no interest and short position 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, 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.

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

During the six months ended 31 December 2013, 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 2013 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 2013, 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

Leung Wai Kuen, Cerene

Executive Director

Hong Kong, 11 February 2014

As at the date of this report, the directors of the Company ("**Directors**") are:

Executive Directors

Ms. Leung Wai Kuen, Cerene

Mr. Zhang Yan

Independent Non-executive Directors

Ms. Chan Wan Yee

Mr. Siu Kwok Chung

Mr. Sit Bun