

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

FIRST QUARTERLY REPORT
2014/2015

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.

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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.

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Group for the three months ended 30 September 2014, together with comparative figures for the same corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 September	
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	1,016	3,026
Cost of sales		(303)	(2,934)
Gross profit		713	92
Other income	3	7,757	–
Administrative expenses		(5,857)	(3,395)
Gain/(Loss) on disposal of financial assets at fair value through profit or loss		288	(205)
Change in fair value of financial assets through profit or loss		1,941	61
Profit/(Loss) from operations		4,842	(3,447)
Finance costs		(1,895)	(3,679)
Share of (loss)/profit of an associate		(109)	7
Profit/(Loss) before taxation		2,838	(7,119)
Income tax expense	4	–	–
Profit/(Loss) for the period attributable to owners of the Company		2,838	(7,119)
Earnings/(Loss) per share	6		
Basic		HK1.16 cents	(HK0.93 cent)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	For the three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period attributable to owners of the Company	2,838	(7,119)
Other comprehensive loss		
Loss on extinguishment of convertible bonds	(35,497)	–
Total comprehensive loss for the period attributable to owners of the Company	(32,659)	(7,119)

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited consolidated results for the three months ended 30 September 2014 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are effective or available for early adoption for the current accounting period of the Company. The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. There have been no significant changes to the accounting policies applied in the unaudited consolidated results for the three months ended 30 September 2014 and for the prior accounting periods as a result of these developments.

The unaudited consolidated results for the three months ended 30 September 2014 have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 30 September 2014 are consistent with those adopted in the financial statements of the Group for the year ended 30 June 2014.

The consolidated results of the Group for the three months ended 30 September 2014 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

For management purpose, the Group is currently organized into business units based on their products and services and has two (2013: one) reportable operating segments as follows:

- (a) Trading of food and beverage segment is a strategic business unit which offers different products and services; and
- (b) Money lending segment is a new segment established in the year ended 30 June 2014 which provides funds to clients and receives loan interest income in return.

An analysis of the Group's revenue is as follows:

	For the three months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Food and beverage trading	313	3,026
Money lending	703	-
	1,016	3,026

3. OTHER INCOME

	For the three months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Gain on early redemption of convertible bonds	7,752	–
Interest income	5	–
	7,757	–

4. 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 the British Virgin Islands income taxes accordingly.

No Hong Kong Profits Tax had been made as the Group had no assessable profits derived from Hong Kong for the three months ended 30 September 2014 (2013: Nil).

5. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 30 September 2014 (2013: Nil).

6. EARNINGS/(LOSS) PER SHARE

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

	For the three months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit/(Loss) attributable to owners of the Company for the purpose calculating basic loss per share	2,838	(7,119)

	For the three months ended 30 September	
	2014 (Unaudited)	2013 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	244,939,000	767,101,000

Diluted earnings/(loss) per share for the three months ended 30 September 2014 and 2013 have not been presented as the outstanding convertible bonds had an anti-dilutive effect.

7. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 30 September 2014*

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Convertible bonds reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2014 (Audited)	110	1,007,979	15,826	68,652	-	(1,147,800)	(55,233)
Transfer to accumulated losses upon extinguishment of convertible bonds	-	-	-	(68,652)	-	68,652	-
Placing of shares	884	169,553	-	-	-	-	170,437
Total comprehensive loss for the period	-	-	-	-	-	(32,659)	(32,659)
At 30 September 2014 (Unaudited)	994	1,177,532	15,826	-	-	(1,111,807)	82,545
At 1 July 2013 (Audited)	77	957,809	15,826	68,652	616	(1,098,098)	(55,118)
Lapse of share options	-	-	-	-	(616)	616	-
Total comprehensive loss for the period	-	-	-	-	-	(7,119)	(7,119)
At 30 September 2013 (Unaudited)	77	957,809	15,826	68,652	-	(1,104,601)	(62,237)

8. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to the end of the reporting period:

- (a) On 3 October 2014, the Company entered into a placing agreement with China Rise Securities Asset Management Company Limited ("Placing Agent"), pursuant to which the Placing Agent has conditionally agreed with the Company to place 198,830,000 shares of the Company at a placing price of HK\$0.132 per share to not less than six places on a best effort basis ("Placing"). The Placing was completed on 15 October 2014 and the net proceeds of approximately HK\$25.4 million from the Placing was received thereafter.
- (b) On 24 October 2014, the Company announced that one of its indirect wholly-owned subsidiary entered into 3 sets of loan agreements ("Loan Agreements") with an independent third party company ("Customer A"), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, for lending an aggregate sum of HK\$7 million to Customer A. As the applicable percentage ratios of the Loan Agreements on an aggregated basis are more than 5% but less than 25%, the Loan Agreements constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 19 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). Details of the Loan Agreements were set out in the announcement of the Company dated 24 October 2014.
- (c) On 11 November 2014, the Company announced that Sharp Elegant Limited ("Sharp Elegant"), a wholly owned subsidiary of the Company, is establishing a health centre in North Point to provide hot stone spa and health related services, including ganbanyoku and health urn. In this relation, Sharp Elegant signed contracts/quotations (as the case may be) with relevant parties for the renovation work, the interior design, the fire service installation work and the security system of the health centre amounting to approximately HK\$8.6 million ("Transaction 1"). In addition, Sharp Elegant has also been purchasing certain equipments, communication systems and other materials and procuring relevant services amounting to approximately HK\$2.2 million ("Transaction 2") for the establishment of the health centre. As certain applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules in respect of Transaction 1 and Transaction 2 on an aggregated basis are more than 5% but less than 25%, Transaction 1 and Transaction 2 on an aggregated basis constitute discloseable transactions for the Company under Chapter 19 of the GEM Listing Rules and are therefore subject to the reporting and announcement requirements. Details of Transaction 1 and Transaction 2 were set out in the announcement of the Company dated 11 November 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Review and Prospect

Food and Beverage Trading

Further to the adoption of a new strategic measure to rationalize the customer mix as announced in our 2014 annual report, the Group continued to suffer from the reduction in revenue from the food and beverage trading in the first quarter of our fiscal year 2014-15 due to the slowdown for the demands of quality food attributable to the reduction in the number of mainland visitors and the relatively weak performance of the local economy. We are not too optimistic about the future performance of this business segment especially during this turbulent period stirred up by the “Occupy Central Movement” (“OCM”). While we have not yet seen the financial impact arising from the OCM, we believe that the slowdown for quality food will persist and we will have to adjust our strategy accordingly in order to survive during this period of turmoil.

We will therefore continue to keep our eyes wide open for any potential investment opportunities so as to compensate the loss of revenue in the food and beverage business.

Money Lending

Further to the acquisition of the Money Lenders Licence in May 2014, the Group has entered into the lending business in return for interest revenue.

Money lenders in Hong Kong generally placed specific emphasis on their fast and convenient application process with minimum credit and background assessment to attract customers who may fail to meet the loan requirements of the authorized financial institutes. This is the risk factor associated with the non-collectability of the loans granted for most of the money lenders, which we believe, can be mitigated by a thorough checking on the background and financial position of the loan applicants undertaken by the Group. In addition, the Group adopts a conservative approach to its lending business and only focuses on loans granted to small and medium enterprises and individuals on a small scale basis and as such, it is not anticipated that a significant amount of funding is required. On strict compliance with this lending principle, the Group recorded approximately HK\$703,000 of interest income during the three months ended 30 September 2014.

Going forward, we will divert more attention to develop the money lending business so as to diversify the business portfolio of the Group.

Financial Review

The Group posted an unaudited consolidated revenue of approximately HK\$1.0 million for the three months ended 30 September 2014 (2013: HK\$3.0 million), representing a substantial reduction of approximately HK\$2.0 million or 66.4% as compared to the three months ended 30 September 2013. The significant reduction was primarily attributable to the continuing reduction of revenue generated from the food and beverage trading as discussed under Review and Prospect above. However, the reduction in business volume of food and beverage trading was compensated by an interest income of HK\$703,000 generated during the first quarter of fiscal year 2014-15 from the money lending business commenced in June 2014.

The Group's gross profit margin has increased substantially from 3.0% for the three months ended 30 September 2013 to 70.2% for the three months ended 30 September 2014. This is mainly due to the establishment of the money lending business where gross profit margin is substantially higher than that of the food and beverage trading business.

The administrative expenses were augmented by approximately HK\$2.5 million which is about an increase of 72.5% over the previous corresponding period in 2013. This is mainly resulted from (i) legal and professional fees relating to the open offer completed in September 2014; and (ii) pre-operating expenses incurred for the establishment of a health centre as announced on 11 November 2014.

Share of loss of an associate amounting to HK\$109,000 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.

In order to redeem the convertible bonds with an outstanding principal amount of HK\$170 million, the Company raised approximately HK\$170.2 million after expenses by way of an open offer at a subscription price of HK\$0.2 per offer share on the basis of 8 offer shares for every 1 share held. On 16 September 2014, 883,699,776 shares of the Company were issued and allotted accordingly. The outstanding principal amount of HK\$170 million of the convertible bonds was then redeemed on 19 September 2014 and as a result of this early redemption, a gain of approximately HK\$7.8 million was recognized in the income statement for the three months ended 30 September 2014.

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

As at 30 September 2014, there were no interests and short positions of the Directors and chief executives 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 Division 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

During the three months ended 30 September 2014, 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 three months ended 30 September 2014 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 30 September 2014, so far as is known to the Directors and the chief executives of the Company, the Company was not notified of any relevant interests and short positions of the persons or corporations in the shares or underlying shares of 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 three months ended 30 September 2014, 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 consists 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 audit committee has reviewed the Group's unaudited results for the three months ended 30 September 2014.

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, 13 November 2014

As at the date of this report, the Board comprises Ms. Leung Wai Kuen, Cerene and Mr. Leung Wai Tung being executive Directors; and Ms. Chan Wan Yee, Mr. Siu Kwok Chung and Mr. Sit Bun being independent non-executive Directors.