GREENFIELD

GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉 輝 化 工 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 582

Interim Report 2012

UNAUDITED INTERIM RESULTS OF THE GROUP

The board of directors (the "**Directors**") (the "**Board**") of Greenfield Chemical Holdings Limited (the "**Company**") hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's auditor, Zenith CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
		HK$'000	HK$'000
	Notes	**(Unaudited)**	(Unaudited)
CONTINUING OPERATION			
Revenue	4	**69,199**	100,260
Cost of sales		**(53,153)**	(70,844)
Gross profit		**16,046**	29,416
Other income		**1,826**	350
Distribution and selling expenses		**(2,834)**	(1,258)
Administrative expenses		**(57,864)**	(12,538)
Change in fair value of embedded derivatives		**—**	27
Loss on redemption of convertible bonds	18	**(10,918)**	—
Impairment of goodwill	11	**(102,104)**	—
Finance costs	5	**(7,263)**	(10,253)
(LOSS)/PROFIT BEFORE TAX	6	**(163,111)**	5,744
Income tax credit/(expense)	7	**984**	(3,037)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATION		**(162,127)**	2,707
DISCONTINUED OPERATION			
(Loss)/profit for the period from discontinued operation	9	**(83,962)**	24,046
(LOSS)/PROFIT FOR THE PERIOD		**(246,089)**	26,753

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Exchange differences arising on translation of foreign operation		(2,894)	7,779
Release of exchange differences upon disposal of subsidiaries		(29,562)	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(32,456)	7,779
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(278,545)	34,532
(Loss)/profit for the period attributable to:			
Owners of the Company		(239,235)	9,792
Non-controlling interests		(6,854)	16,961
		(246,089)	26,753
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(270,117)	13,703
Non-controlling interests		(8,428)	20,829
		(278,545)	34,532
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted:			
For (loss)/profit from continuing and discontinued operation		HK(19.8) cents	HK3.6 cents
For loss from continuing operation		HK(12.7) cents	HK(0.9) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	145,824	256,792
Prepaid lease payments	10	16,611	52,513
Goodwill	11	101,288	203,392
Intangible assets		75,762	80,286
Interests in associates		—	160,199
		339,485	753,182
CURRENT ASSETS			
Prepaid lease payments	10	386	1,272
Inventories		61,858	96,776
Trade and other receivables	12	114,037	203,907
Pledged bank deposits		—	2,636
Bank balances and cash		49,632	148,829
		225,913	453,420
CURRENT LIABILITIES			
Trade and other payables	13	69,036	102,384
Tax payable		3,297	6,919
Bank and other borrowings	15	73,600	209,630
Deferred revenue		392	440
		146,325	319,373
NET CURRENT ASSETS		79,588	134,047
TOTAL ASSETS LESS CURRENT LIABILITIES		419,073	887,229
NON-CURRENT LIABILITIES			
Loan from government		6,518	6,557
Convertible bonds	18	—	53,682
Embedded derivatives	18	—	—
Deferred tax liabilities		7,080	7,875
Deferred revenue		203	379
		13,801	68,493
NET ASSETS		405,272	818,736
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	191,002	27,286
Reserves		124,281	455,792
		315,283	483,078
Non-controlling interests		89,989	335,658
		405,272	818,736

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Translation reserve HK$'000	Non-distributable reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012 (audited)	27,286	100,853	32,000	38,463	8,919	275,557	483,078	335,658	818,736
Loss for the period	–	–	–	–	–	(239,235)	(239,235)	(6,854)	(246,089)
Exchange differences arising on translation of foreign operation	–	–	–	(1,320)	–	–	(1,320)	(1,574)	(2,894)
Release of exchange differences upon disposal of subsidiaries	–	–	–	(29,562)	–	–	(29,562)	–	(29,562)
Total comprehensive loss for the period	–	–	–	(30,882)	–	(239,235)	(270,117)	(8,428)	(278,545)
Released upon disposal of subsidiaries	–	–	(32,000)	–	(6,367)	38,367	–	(237,241)	(237,241)
Transfer	–	(100,853)	–	–	–	100,853	–	–	–
Issue of shares	13,643	88,679	–	–	–	–	102,322	–	102,322
Bonus issue	150,073	–	–	–	–	(150,073)	–	–	–
At 30 June 2012 (unaudited)	191,002	88,679	–	7,581	2,552	25,469	315,283	89,989	405,272
At 1 January 2011 (audited)	27,286	100,853	32,000	18,740	6,371	250,657	435,907	203,837	639,744
Profit for the period	–	–	–	–	–	9,792	9,792	16,961	26,753
Exchange differences arising on translation of foreign operation	–	–	–	3,911	–	–	3,911	3,868	7,779
Total comprehensive income for the period	–	–	–	3,911	–	9,792	13,703	20,829	34,532
Transfer	–	–	–	–	1,721	(1,721)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	62,833	62,833
At 30 June 2011 (unaudited)	27,286	100,853	32,000	22,651	8,092	258,728	449,610	287,499	737,109

Notes:

(a) The special reserve of the Group represents the nominal value of 32,000,000 non-voting class A shares of HK$1 each issued by a subsidiary of the Company to its then shareholders prior to the group reorganisation in 2002. The special reserve was released upon disposal of the subsidiary.

(b) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China (the "**PRC**") other than Hong Kong to the non-distributable reserve under the PRC laws and regulations until the transferred amount met 50% of the registered capital of these PRC subsidiaries. No transfer was noted for the period, as the PRC subsidiaries had already transferred an amount equal to 50% of its relevant registered capital to non-distributable reserve in prior period or no profit after taxation was generated for the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	**(17,920)**	(14,301)
Net cash flows used in investing activities	**(125,857)**	(347,951)
Net cash flows from financing activities	**44,755**	15,853
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(99,022)**	(346,399)
Effect of foreign exchange rate changes, net	**(175)**	3,149
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**148,829**	449,975
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, represented by bank balances and cash	**49,632**	106,725

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRS as disclosed in note 2 below.

These condensed consolidated financial statements have been prepared under historical cost convention. These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand, except otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

The Group has adopted the following new and revised HKFRSs for the first time for the current interim period's condensed consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes: Deferred Tax — Recovery of Underlying Assets

The adoption of the above new and revised HKFRS has had no significant financial impact on the amounts and/or disclosures set out in these condensed consolidated financial statements.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRS

The Group has not early applied any of the following new and revised HKFRSs, that have been issued but are not yet effective, in these condensed consolidated financial statements.

HKFRSs Amendments	Annual improvements to HKFRSs 2009–2011 cycle[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 Amendments	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 Amendments	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC*)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvements Projects	Annual Improvements 2009–2011 Cycles[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015
* IFRIC represents the International Financial Reporting Interpretations Committee

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

4. SEGMENT INFORMATION

During the reporting period, the Company disposed of its 51% equity interest in Rookwood Investments Limited ("**Rookwood**") with its subsidiaries and associates, which are principally engaged in the manufacturing and trading of liquid coatings, power coatings and solvents business (collectively referred to as the "**Coating Business**"). In accordance with HKFRS 5, the Coating Business for the six months ended 30 June 2012 and 2011 was classified as discontinued operation in the Group's consolidated financial statements. Further details regarding the results of the Coating Business are set out in note 9 to the condensed consolidated financial statements.

For continuing operation, the Group's operating segments include the design, manufacturing and sale of the light-emitting diode ("**LED**") and semi-conductor lighting related products (the "**Lighting Business**").

Six months ended 30 June 2012

The Group's chief operating decision maker makes the decision on allocation of resources and assessment of performance of the Lighting Business based on location of customers.

	2012 Lighting Business		
	Overseas HK$'000	The PRC HK$'000	Total HK$'000
Revenue — external sales	37,740	31,459	69,199
Revenue — segment results	6,325	1,760	8,085
Interest income			13
Unallocated corporate income			1,813
Unallocated corporate expenses			(52,737)
Finance costs			(7,263)
Impairment of goodwill			(102,104)
Loss on redemption of convertible bonds			(10,918)
Loss before tax			(163,111)

Six months ended 30 June 2011

	2011 Lighting Business		
	Overseas HK$'000	The PRC HK$'000	Total HK$'000
Revenue — external sales	19,253	81,007	100,260
Revenue — segment results	4,071	17,134	21,205
Interest income			93
Unallocated corporate expenses			(5,328)
Finance costs			(10,253)
Change in fair value of embedded derivatives			27
Profit before tax			5,744

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing operation		
Interest charged on bank and other borrowings		
wholly repayable within five years	**4,354**	8,396
Interest on loan from government	**228**	—
Interest on convertible bonds	**2,681**	1,857
	7,263	10,253

6. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing operation		
(Loss)/profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**4,058**	1,959
Amortisation of prepaid lease payments	**171**	95
Depreciation of property, plant and equipment	**5,025**	2,492
Impairment of trade and other receivables	**5,127**	—

7. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate assessable profits arising in Hong Kong during the six months ended 30 June 2012 and 2011. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing operation		
Current tax — PRC	**—**	3,037
Deferred tax	**(984)**	—
Total tax (credit)/charge for the period	**(984)**	3,037

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earning per share from continuing and discontinued operation are based on:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation:		
— From continuing operation	**(153,121)**	(2,552)
— From discontinued operation	**(86,114)**	12,344
	(239,235)	9,792
Number of shares	**'000**	'000
Weighted average number of shares for the purpose of calculating basic and diluted (loss)/earnings per share	**1,207,644**	272,860

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended 30 June 2012 has been adjusted for the open offer (with the bonus issue) that because effective on 8 May 2012.

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period from discontinued operation	**(83,962)**	24,046
Less: profit for the period from discontinued operation attributable to non-controlling interests	**2,152**	11,702
(Loss)/profit attributable to owners of the Company from the discontinued operation	**(86,114)**	12,344

The conversion of the Company's outstanding convertible bonds would decrease the loss per share or increase the earnings per share, after taking into account the effect of the interest of the convertible bonds liability and the change in fair value of the embedded derivatives of the convertible bonds, and is therefore considered as anti-dilutive.

From discontinued operation

For the six months ended 30 June 2012, basic and diluted loss per share from discontinued operation is HK7.1 cents per share (for the six months ended 30 June 2011: basic and diluted earnings per share from discontinued operation is HK4.5 cents per share), based on the loss for the period from discontinued operation of HK$86,114,000 (for the six months ended 30 June 2011: profit for the period from discontinued operation of HK$12,344,000) and the denominators detailed above for both basic and diluted loss per share.

9. DISCONTINUED OPERATION

On 19 January 2012, the Company entered into a sale and purchase agreement with an independent third party, Mezzo International Limited, to dispose of 51% equity interest in Rookwood (being the entire interest directly held by the Company) for a consideration of HK$154,000,000, resulted a loss on disposal amounted to approximately HK$88,539,000 was recorded during the period.

The (loss)/profit for the period from discontinued operation is analysed as follow:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit from discontinued operation	**4,577**	24,046
Loss on disposal of subsidiaries	**(88,539)**	—
(Loss)/profit for the period from discontinued operation	**(83,962)**	24,046

An analysis of the results of discontinued operation included in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue	**65,777**	144,474
Expenses	**(60,165)**	(116,481)
Profit before tax	**5,612**	27,993
Income tax	**(1,035)**	(3,947)
Profit from discontinued operation	**4,577**	24,046

10. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the reporting period, the Group spent approximately HK$348,000 (six months ended 30 June 2011: HK$18,413,000) and HK$nil (six months ended 30 June 2011: HK$nil) on acquisition of property, plant and equipment and prepaid lease payments, respectively.

During the reporting period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK$157,000 (six months ended 30 June 2011: HK$nil) and generated proceeds of approximately HK$92,000 (six months ended 30 June 2011: HK$nil).

11. GOODWILL

The goodwill of HK$203,392,000, arose in last period, related to the acquisition of Ace Winner Holdings Limited ("**Ace Winner**") and its subsidiaries (collectively referred to as the "**Ace Winner Group**"). Ace Winner is an investment holding company with an indirect equity interest of 69.44%, held through its wholly owned subsidiary, China Opto Investments Limited, in the issued share capital of Jiangsu Wenrun Optoelectronic Co., Ltd ("**Jiangsu Wenrun**"). Jiangsu Wenrun is principally engaged in the Lighting Business. Goodwill of HK$203,392,000 was allocated to the cash-generating units ("**CGUs**") for the Lighting Business. During the period, impairment of goodwill amounting to HK$102,104,000 was recognised. Net carrying amount of goodwill is summarised as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
At 1 January		
Cost	203,392	—
Accumulated impairment	—	—
Net carrying amount	203,392	—
At 30 June/31 December		
Opening net book amount	203,392	—
Additional amounts recognised from acquisition of subsidiaries during the period	—	203,392
Impairment of goodwill	(102,104)	—
Net carrying amount	101,288	203,392
At 30 June/31 December		
Cost	203,392	203,392
Accumulated impairment	(102,104)	—
Net carrying amount	101,288	203,392

As at 30 June 2012, a valuation was carried out by Roma Appraisals Limited ("**Roma**"), an independent, professionally qualified valuer, to assess the recoverable amount of the goodwill arising from the acquisition of the Ace Winner Group. The recoverable amounts for the above CGUs have been determined based on the fair value calculations, covering a detailed five-year budget plan.

12. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Trade receivables from third parties	80,660	148,014
Trade receivables from associates	—	11,026
	80,660	159,040
Prepayments, deposits and other receivables	33,377	44,867
	114,037	203,907

The Group allows credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0–30 days	12,178	67,746
31–60 days	12,049	27,799
61–90 days	6,693	17,711
Over 90 days	49,740	45,784
	80,660	159,040

13. TRADE AND OTHER PAYABLES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Trade payables to third parties	35,804	48,698
Trade payables to an associate	—	515
	35,804	49,213
Accruals, deposits received and other payables	33,232	53,171
	69,036	102,384

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0–30 days	10,054	28,689
31–60 days	18,790	9,541
61–90 days	3,481	5,505
Over 90 days	3,479	5,478
	35,804	49,213

14. SHARE CAPITAL

	Number of shares '000	Total value HK$'000
Authorised:		
At 31 December 2011	1,000,000	100,000
Additions during the period (note (a))	4,000,000	400,000
At 30 June 2012	5,000,000	500,000
Issued and fully paid:		
At 31 December 2011	272,860	27,286
Issue of open offer shares (note (b))	136,430	13,643
Issue of bonus shares (note (b))	1,500,730	150,073
At 30 June 2012	1,910,020	191,002

Notes:

(a) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 28 March 2012, the authorised share capital of the Company was increased from HK$100,000,000 to HK$500,000,000 by the creation of 4,000,000,000 additional shares of HK$0.1 each, ranking pari passu in all respects with the existing shares of the Company.

(b) On 28 March 2012, the shareholders of the Company approved by way of poll the open offer on the basis of one offer share for every two existing shares held on 11 April 2012 to the qualifying shareholders of the Company with bonus issue on the basis of eleven bonus shares for every one offer share taken up under the open offer, at an issue price of HK$0.75 per offer share, resulting in the issue of 1,637,160,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$102,322,000 upon completion in May 2012.

15. BANK AND OTHER BORROWINGS

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Bank borrowings (note (i))	73,600	55,530
Loan from financial institutions (note (ii))	—	154,100
	73,600	209,630
Secured	73,600	205,530
Unsecured	—	4,100
	73,600	209,630
Carrying amounts payable within one year	73,600	209,630

Notes:

(i) Secured by the Group's property, plant and equipment, prepaid lease payments and intangible assets (see note 17) and the effective interest rates ranged from 6.46%–7.22% (2011: 6.41%–7.22%) per annum.

(ii) (a) On 23 December 2010, the Company entered into a loan agreement with a financial institution and obtained a term loan amounting to HK$150,000,000. The loan bore interest at 10% per annum, and was secured by the pledge of shares and an undated deed of assignment of a loan. The loan was fully repaid in April 2012.

(b) Fixed rate loan bearing interest at 12% per annum with another financial institution amounted to approximately HK$4,100,000 as at 31 December 2011 was fully repaid in May 2012.

16. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of office and factory premises under non-cancellable operating leases which fall due as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Within one year	584	679
In the second year to fifth year both inclusive	20	49
	604	728

17. PLEDGE OF ASSETS

As at 30 June 2012, the Group pledged its property, plant and equipment, prepaid lease payments, intangible assets and bank deposits of approximately HK$111,499,000, HK$16,813,000, HK$39,532,000 and HK$nil (31 December 2011: HK$123,939,000, HK$17,108,000, HK$41,139,000 and HK$2,636,000), respectively to secure the general banking facilities.

In addition, as at 31 December 2011, the Group's pledged its 51% equity interest in Rookwood (the "**Share Mortgage**") and an undated deed of assignment duly executed by the Company and Rookwood pursuant to which the Company agrees to assign a loan to Rookwood of HK$31,476,308 in case of default to a financial institution to secure the other borrowings with principal amount of HK$150,000,000. The said deed of assignment and the Share Mortgage were discharged and released subsequent to full repayment of the loan by the Company in April 2012.

18. CONVERTIBLE BONDS LIABILITY AND EMBEDDED DERIVATIVES

	Liability	Embedded derivatives	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2012 (Audited)	53,682	—	53,682
Imputed interest charged	2,681	—	2,681
Interest paid	(2,281)	—	(2,281)
Loss on redemption of convertible bonds	10,918	—	10,918
Redemption of convertible bonds	(65,000)	—	(65,000)
At 30 June 2012 (Unaudited)	—	—	—

The convertible bonds contain the following components:

(a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interests, on initial recognition, of instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The effective interest rate of the liability component is 14% per annum. The Company has early redeemed the convertible bonds with principal amount of HK$65 million during the six months ended 30 June 2012.

(b) Embedded derivatives of the convertible bonds represent: (i) the option to convert the liability into equity of the Company. The conversion will be settled other than by the exchange of a fixed number of the Company's own equity is classified as conversion option derivative as the convertible bonds are denominated in currency other than the functional currency of the Company; and (ii) the issuer's right to redeem the convertible bonds before the maturity date. No shares had been converted and the convertible bonds were early redeemed during the six months ended 30 June 2012.

19. RELATED PARTY TRANSACTIONS

The remuneration of Directors and other members of key management of the Company during the reporting period, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**480**	1,178
Post-employment benefits	**—**	35
	480	1,213

20. COMPARATIVE FIGURES

During the period, the Directors have determined to discontinue the Coating Business, accordingly the consolidated statement of comprehensive income has been reclassifying to the discontinued operation. Prior period figures have been re-presented accordingly.

21. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 27 August 2012.

Financial Results

For the six months ended 30 June 2012, the Group's revenue from continuing operation decreased by 31% to approximately HK$69,199,000 (2011: HK$100,260,000). The Group recorded a loss for the period attributable to owners of the Company of approximately HK$239,235,000 as opposed to a profit of approximately HK$9,792,000 in the corresponding period in 2011. The loss per share was HK19.8 cents (2011: earnings per share HK3.6 cents).

As at 30 June 2012, the net asset value per share attributable to owners of the Company was HK$0.17 (31 December 2011: HK$1.77).

Review of Operation

During the period under review, the principal activity of the Company is investment holding, and through its subsidiaries, is engaged in (a) the Lighting Business and (b) the Coating Business.

Due to the unresolved European sovereign debt crisis as well as the slow recovery of global economy, the performances of the Lighting Business and the Coating Business have been adversely affected during the first half of 2012. For the Lighting Business, in order to increase the competitiveness of the LED products, the Group has allocated additional resources on research and development of new LED related products and technologies such that the Group can lower the production costs and differentiate itself from its competitors in the LED market. With the increasing market competition and decreasing market demand for the LED products, drop in transaction volume and decrease in gross profit margin of the LED products are resulted. The revenue of the Lighting Business was about HK$100,260,000 for the six months ended 30 June 2011 and it dropped by 31% to approximately HK$69,199,000 for the corresponding period in 2012. Under the deteriorating industry prospect, the future cash inflows generated from the Lighting Business is expected to fall which will be lower than the carrying value, thus, an impairment loss of HK$102,104,000 on the goodwill arising from the acquisition of Lighting Business has been made during the six months ended 30 June 2012.

For the Coating Business, in view of (i) the escalating awareness for a more stringent environmental protection and product safety laws and regulations pertaining to the Group's manufacturing facilities and products in the PRC; (ii) the public perception of the pollutive nature of the paint and coating manufacturing industry; (iii) the increase in price of crude oil, other key raw materials and labour costs, growing market competition of paint and petrochemical products worldwide; (iv) the increase in the capital expenditure for replacement of aging production facilities; (v) the escalating labour and production costs as a result of the difficulty in hiring staff for the environmentally sensitive paint manufacturing business; (vi) the increase in cost in order to ensure the Coating Business complies with relevant laws and regulations, in particular those regarding hazardous substances and environmental safety; and (vii) the substantial capital outlay and maintenance costs for the relocation of the existing manufacturing and storage facilities from Shenzhen to a more remote location at Zhong Xin Town, Zencheng, Guangzhou as announced by the Company on 18 February 2010 and detailed below, as well as the worsening economic environment, the management expected that future results and cash flows of the Coating Business would be adversely affected. As a result, the Coating Business was disposed of at a loss of approximately HK$88,539,000 at early April 2012 and then the Lighting Business has become the core activity of the Group.

Financial Resources and Liquidity

As at 30 June 2012, the Group had non-current assets of approximately HK$339,485,000 (31 December 2011: HK$753,182,000) and net current assets of approximately HK$79,588,000 (31 December 2011: HK$134,047,000). The current ratio, expressed as the ratio of the current assets over the current liabilities, was 1.54 as at 30 June 2012 (31 December 2011: 1.42). The sharp decrease in net current assets and a slight increase in current ratio are mainly due to (i) the disposal of the Coating Business; (ii) the repayment of other borrowings with the principal amount of HK$150,000,000; (iii) the early redemption of the convertible bonds with the principal amount of HK$65,000,000 due on 16 March 2014; and (iv) the remaining proceeds as at 30 June 2012 raised from the open offer (with the bonus issue), net of the early redemption of the convertible bonds.

As at 30 June 2012, the Group had trade and other payables of approximately HK$69,036,000 (31 December 2011: HK$102,384,000), bank and other borrowings of approximately HK$73,600,000 (31 December 2011: 209,630,000) and convertible bonds liability of nil (31 December 2011: HK$53,682,000), while total liabilities amounted to approximately HK$160,126,000 (31 December 2011: HK$387,866,000). The Group's gearing ratio, which is measured on the basis of the Group's total liabilities divided by total assets, is 28.3% (31 December 2011: 32.1%).

Capital Structure

On 13 February 2012, the Company announced an open offer on the basis of one offer share for every two shares held on the record date of 11 April 2012 at the subscription price of HK$0.75 per offer share, with bonus issue on the basis of eleven bonus shares for every one offer share taken up under the open offer. Upon the completion of the open offer (with the bonus issue) in May 2012, the total number of issued ordinary shares became 1,910,020,000 with the par value of HK$0.1 each.

On 17 May 2012, the Company early redeemed all the outstanding convertible bonds with the principal amount of HK$65,000,000 due on 16 March 2014.

Change of Domicile

Pursuant to a special resolution passed at the extraordinary meeting held on 28 March 2012, the domicile of the Company was changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda ("**Change of Domicile**"). The Change of Domicile was effective on 16 May 2012.

Capital Commitments

As at 30 June 2012, the Group had no capital commitment (31 December 2011: HK$23,448,000 in respect of the purchase of production equipment and expansion of production lines).

Contingent Liability

As at 30 June 2012, the Group did not have any contingent liability.

Pledge of Assets

As at 30 June 2012, the Group pledged its property, plant and equipment, prepaid lease payments, intangible assets and bank deposits of approximately HK$111,499,000, HK$16,813,000, HK$39,532,000 and HK$nil (31 December 2011: HK$123,939,000, HK$17,108,000, HK$41,139,000, HK$2,636,000), respectively to secure the general banking facilities.

In addition, as at 31 December 2011, the Group pledged its 51% equity interest in Rookwood (the "**Share Mortgage**"), and an undated deed of assignment duly executed by the Company and Rookwood pursuant to which the Company agrees to assign a loan to Rookwood of HK$31,476,000 in case of default to a financial institution to secure the other borrowings of HK$150,000,000. The said deed of assignment and the Share Mortgage were discharged and released subsequent to full repayment of the loan by the Company in April 2012.

Save as disclosed above, the Group did not have pledge of assets.

Treasury Policy

As at 30 June 2012, the Group had no formal treasury policy.

Segment Information

Details of segment information of the Group for the six months ended 30 June 2012 are set out in note 4 to the unaudited condensed consolidated financial statements.

Currency and Interest Rate Structure

Business transactions of the Group are mainly denominated in RMB and USD. Currently, the Group did not enter into any agreement to hedge against the foreign exchange risk. For RMB, in view of its fluctuation in recent years, the Group will monitor the situation closely and will introduce suitable measures as and when appropriate. For USD, as HK$ is pegged with USD, the currency risk on such aspect is expected to be minimal.

The Group had limited exposure to interest rate fluctuation as the interest rates of (i) other borrowings with principal amount of HK$150,000,000; and (ii) convertible bonds with principal amount of HK$65,000,000, are fixed throughout the loan term.

Material Acquisition and Disposal

On 19 January 2012, the Company entered into a sale and purchase agreement to dispose of the 5,100 shares in Rookwood, with its subsidiaries namely Shenzhen Pinefield Chemical Enterprises Co., Ltd, Changzhou Manfield Transportation Limited, Springfield Chemical Company Limited, Springfield Chemical (Guangzhou) Limited, Manfield Chemical Limited, Champion Chemical (Guangzhou) Company Limited, Manfield Chemical (Changzhou) Limited and its associated companies namely — CMW Holding Limited, CMW Coatings (Wuxi) Limited and CMW Coatings (Hong Kong) Limited, and the sale loan in the amount of HK$31,476,000 at a total consideration of HK$154,000,000. The disposal was completed on 2 April 2012.

Save for the above, there was no material acquisition or disposal that should be notified to the shareholders for the six months ended 30 June 2012.

Employees and Remuneration Policies

As at 30 June 2012, the Group had around 700 full-time employees with total staff costs amounted to approximately HK$34,129,000 (2011: HK$45,653,000). Including management and administrative staff and production workers, most of the employees were stationed in Mainland China while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

Outlook

Upon the completion of the disposal of the Coating Business, the Lighting Business has become the remaining business segment and the principal business of the Group.

The Lighting Business is considered as a developing industry worldwide. During the six months ended 30 June 2012, resources have been allocated on research and development of new LED related products and technologies in the sense to achieve lower production costs and differentiate itself from its competitors in the LED market. However, given that the technology of LED has become more common nowadays, the technology barrier has been lowered and more new competitors have entered into the LED market in the PRC, causing persistent decrease in the level of prices of LED related products and unstable transaction volume of customers. Under keen market competition and decreasing customer demand for the LED products, transaction volume is falling and the gross profit margin of the LED products is decreasing. As such, a deteriorating industry prospect is expected in the second half of 2012.

Meanwhile, the management will pay close attention to the performance of the Lighting Business. At the same time, the management will seek for any investment opportunity in other business streams with promising prospect and companies with profitability track record such that the income base of the Group could be broadened, including but not limited to participating in the property development projects in the PRC. The property development industry in PRC has been quiet for some time as a result of the on-going tightening measures imposed by the PRC government; however, it is expected that the PRC government may modify its policies in order to stimulate the economy in the PRC.

In addition, the Company will keep looking for fund raising opportunities to further strengthen the financial position of the Group as and when appropriate. As at the reporting date, other than the open offer (with the bonus issue) which was completed in May 2012, the Company has not yet identified any fund raising opportunities.

Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

DIRECTORS' INTERESTS

At 30 June 2012, none of the Directors and chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and short positions in which they are deemed or taken to have under such provisions of the SFO) to be notified to the Company and the Stock Exchange, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company.

Name	Capacity	Number of shares held	Long or Short Position	Percentage of issued share capital of the Company
Hong Han Limited ("**Hong Han**")	Beneficial Owner	980,000,000	Long	51.31%
Mr. Wan Zhongbo ("**Mr. Wan**")	Held by controlled corporation (Note 1)	980,000,000	Long	51.31%
Simsen International Corporation Limited ("**Simsen International**")	Held by controlled corporation (Note 1)	980,000,000	Long	51.31%
Ms. Liu Jia ("**Ms. Liu**")	Held by controlled corporation (Note 1)	980,000,000	Short	51.31%

Notes:

1. Hong Han is wholly and beneficially owned by each of Mr. Wan and Ms. Liu as to 50%. Ms. Liu has pledged her entire shares in Hong Han to Simsen Capital Finance Limited, a wholly owned subsidiary of Simsen International, to secure a loan granted to Ms. Liu. Therefore, Mr. Wan and Simsen International are deemed to be interested in the shares of the Company held by Hong Han and Ms. Liu is deemed to hold a short position in the shares of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

On 11 June 2010, an ordinary resolution was passed at the annual general meeting of the Company regarding the approval of the adoption of share option scheme (the "**Share Option Scheme**") of the Company. No share option has been exercised by the Company since the adoption of the Share Option Scheme.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012, except for the following deviation:

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and are subject to re-election.

The Company has not fully complied with code provision A.4.1. The existing independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting. The Board does not believe that arbitrary term limits on Directors' service are appropriate given that directors ought to be committed to representing the long-term interests of the shareholders of the Company.

BYE-LAWS

At the extraordinary general meeting held on 28 March 2012, together with the Change of Domicile, the shareholders of the Company approved by way of poll the substitution of the bye-laws of the Company (the "**Bye-Laws**") for the articles of association of the Company. Upon the due registration of the memorandum of continuance by the Registrar of the Companies in Bermuda, the Bye-Laws has become effective since 16 May 2012.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transaction by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended on 30 June 2012.

AUDIT COMMITTEE REVIEW

As at the date of this report, the Audit Committee comprises Mr. Fok Ho Yin, Thomas, Mr. Ng Hoi Yue and Mr. Chiang Chi Kin, Stephen, the independent non-executive Directors of the Company. The Audit Committee has reviewed with the management and external auditors in relation to the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended on 30 June 2012.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Hu Jun, Ms. Zhang Ying, Mr. Li Li, Mr. Zhang Yang, Mr. Jiang Zhiqian as executive Directors and Mr. Fok Ho Yin, Thomas, Mr. Ng Hoi Yue and Mr. Chiang Chi Kin, Stephen as independent non-executive Directors.

By order of the Board
Greenfield Chemical Holdings Limited
Li Li
Executive Director

Hong Kong, 27 August 2012