



CHINA HOUSEHOLD HOLDINGS LIMITED

中國家居控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 692)



2013
INTERIM REPORT

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

To the board of directors of China Household Holdings Limited
(Formerly known as Bao Yuan Holdings Limited)
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements of China Household Holdings Limited (formerly known as Bao Yuan Holdings Limited) and its subsidiaries (collectively, the "Group") set out on pages 2 to 27, which comprise the condensed consolidated statement of financial position as at 30 June 2013 and the related condensed consolidated income statement and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKSA 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope Of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Yip Kai Yin
Practising Certificate Number P05131

Hong Kong
10 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	417,848	5,153
Cost of sales		(249,863)	(1,663)
Gross profit		167,985	3,490
Other income	3	855	456
Distribution costs		(5,189)	(1,938)
Administrative expenses		(29,021)	(31,931)
Other operating expenses		(1,244)	(24)
Finance costs		(18,006)	(19,784)
Profit/(loss) before tax	5	115,380	(49,731)
Income tax expense	6	(39,677)	—
Profit/(loss) for the period		75,703	(49,731)
Profit/loss for the period attributable to:			
Owners of the Company		78,456	(47,973)
Non-controlling interests		(2,753)	(1,758)
		75,703	(49,731)
Earnings/(loss) per share attributable to ordinary equity holders of the Company	8		
Basic			
— For profit/(loss) for the period		3.4 cents	(9.9 cents)
Diluted			
— For profit/(loss) for the period		3.2 cents	(9.9 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit/(Loss) for the period	75,703	(49,731)
Other comprehensive income:		
Exchange differences on translation of foreign operations	331	613
Total comprehensive income/(loss) for the period, net of tax	76,034	(49,118)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	78,758	(47,743)
Non-controlling interests	(2,724)	(1,375)
	76,034	(49,118)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,555	3,450
Exploration and evaluation assets	9	1,539,000	1,539,000
Intangible assets		56,673	42,227
Loan receivables	10	—	1,450
Available-for-sale investments		4,571	590
Convertible note receivable		2,809	2,672
Deferred tax asset		40,207	40,207
Goodwill		322,997	290,778
Total non-current assets		1,975,812	1,920,374
CURRENT ASSETS			
Inventories		28,161	1,457
Loan receivables	10	5,480	23,350
Trade and bills receivables	11	129,776	1,710
Prepayments, deposits and other receivables		62,659	7,975
Equity investments at fair value through profit or loss		24,444	27,775
Conversion option embedded in convertible note receivable		1	1
Pledged deposits		6,428	6,235
Cash and cash equivalents		36,715	11,287
Total current assets		293,664	79,790
CURRENT LIABILITIES			
Bank overdrafts, secured		5,004	466
Trade payables	12	59,024	1,980
Other payables and accruals		42,141	3,429
Amount due to directors	15	4,994	—
Tax payable		32,590	2,896
Deferred tax liabilities		152	152
Total current liabilities		143,905	8,923
NET CURRENT ASSETS		149,759	70,867
TOTAL ASSETS LESS CURRENT LIABILITIES		2,125,571	1,991,241

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Convertible bonds	13	700	2,591
Promissory notes	14	380,206	321,914
Total non-current liabilities		380,906	324,505
Net assets		1,744,665	1,666,736
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	2,497	2,187
Equity component of convertible bonds	13	12,161	47,503
Reserves		1,716,513	1,600,828
		1,731,171	1,650,518
Shares to be issued		21,418	21,418
Non-controlling interests		(7,924)	(5,200)
Total equity		1,744,665	1,666,736

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2013*

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Employee share option reserves HK\$'000	Capital reserves HK\$'000	Equity component of CB HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Shares to be issued HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2012	405	1,213,244	388,084	3,253	(21)	112,551	1,116	(289,609)	1,429,023	—	(2,358)	1,426,665
Loss for the period and total comprehensive income for the period	—	—	—	—	—	—	230	(47,973)	(47,743)	—	(1,375)	(49,118)
Issue of shares through placement	81	15,527	—	—	—	—	—	—	15,608	—	—	15,608
At 30 June 2012	486	1,228,771	388,084	3,253	(21)	112,551	1,346	(337,582)	1,396,888	—	(3,733)	1,393,155
At 1 January 2013	2,187	1,423,801	388,084	3,587	(21)	47,503	1,343	(215,966)	1,650,518	21,418	(5,200)	1,666,736
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	340	78,456	78,796	—	(2,724)	76,072
Issue of shares upon conversion of convertible bonds	310	36,889	—	—	—	(35,342)	—	—	1,857	—	—	1,857
At 30 June 2013	2,497	1,460,690	388,084	3,587	(21)	12,161	1,683	(137,510)	1,731,171	21,418	(7,924)	1,744,665

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2013*

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash flows from/(used in) operating activities	31,899	(24,020)
Net cash flows used in investing activities	(4,085)	(2,570)
Net cash flows (used in)/from financing activities	(7,000)	8,274
Net increase/(decrease) in cash and cash equivalents	20,814	(18,316)
Cash and cash equivalents at the beginning of the period	10,821	35,712
Effect of foreign exchange rate changes	76	15
Cash and cash equivalents at the end of the period	31,711	17,411
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	36,715	17,677
Bank overdrafts, secured	(5,004)	(266)
	31,711	17,411

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

China Household Holdings Limited (formerly "Bao Yuan Holdings Limited") (the "Company") is a limited liability company incorporated in Bermuda and its registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's principal place of business in Hong Kong is located at Suite no. 1001B, 10/F., Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively, the "Group") were principally engaged in trading of wooden products and provision of interior design services, the sales of fabrics and garments and other related accessories in Hong Kong, the United States and the Peoples' Republic of China (the "PRC"), iron and titanium exploration, development and mining in the PRC, securities investment, fashion business, money lending business and provision of information and technologies services and sales of related products during the period.

The trading of wooden products and provision of interior design services is a new business segment of the Group through an acquisition of subsidiaries during the year of 2013.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 (the "Unaudited Condensed Consolidated Interim Financial Statements") have been approved for issue by the Board of Directors on 10 August 2013.

2.1 Basis of preparation and significant accounting policies

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012 (the "2012 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

Other than the adoption of new and revised HKFRSs and Interpretations as noted below, the accounting policies adopted in the preparation of the Unaudited Condensed Consolidated Interim Financial Statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2012.

New and revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 - 2011 Cycle
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separates Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

HKFRS 9	Financial Instruments ²
HKFRS10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities ¹
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HK (IFRIC) – INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

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 the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the invoiced value of trading of wooden products, technological and intelligent products, fabrics, garments and other related accessories, after allowances for returns and trade discounts, profit/(loss) from trading of securities, interest received and receivable from money lending, and invoices value of sales of fashion designed product and services rendered, provision of information and technologies services. During the period, the Group did not generate any income from mining business.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue		
Sales of goods	416,299	2,998
Provision of services	743	550
Interest income from loan receivables	1,264	1,985
Loss on trading of equity investment at fair value through profit or loss	(458)	(380)
	417,848	5,153
Other income and gains		
Commission income	387	299
Interest income	226	69
Rental income	—	38
Others	242	50
	855	456
Total revenue, other income and gains	418,703	5,609

4. Segment information (Continued)

The relevant geographical information of the Group is as follows:

	For the six months ended 30 June 2013				
	PRC HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	United States HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
Revenue from external customers	413,156	2,607	—	2,085	417,848
Capital expenditure	16,351	2,582	—	639	19,572

	For the six months ended 30 June 2012				
	PRC HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	United States HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
Revenue from external customers	—	2,525	396	2,232	5,153
Capital expenditure	—	2,304	—	—	2,304

5. Profit/(Loss) before tax

Profit/(Loss) before tax is stated after crediting and charging the following:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Crediting		
Commission income	387	299
Interest income on convertible notes receivable	136	—
Exchange gain	18	—
Dividend income	12	—
Interest income	89	69
Rental income	—	38
Fair value gain on equity investment at fair value through Profit or Loss	1,753	—
Charging		
Depreciation on property, plant and equipment	879	218
Amortisation of intangible asset	400	400
Exchange loss	—	24
Loss on disposal of Available-for-sale investment	403	—
Fair value loss on equity investment at fair value through profit or loss	—	9,433
Operating lease rentals in respect of land and buildings	2,107	1,808
Staff costs	9,166	7,279

6. Income tax

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current tax – PRC	39,677	—

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil).

Tax on overseas profits is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

PRC income tax change represents the PRC Enterprise Income Tax paid or payable during the period. The Enterprise Income Tax in the PRC has been provided at 25%.

As at 30 June 2013, the Group has tax losses of approximately HK\$318 million (31 December 2012: HK\$277 million) available to offset future profits. No deferred tax asset has been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the losses can be utilised. Except for tax losses of approximately HK\$3 million (31 December 2012: HK\$12 million) arising in the PRC that are available for offsetting against the following five years' taxable profits of the companies, the tax losses of approximately HK\$315 million (31 December 2012: HK\$265 million) arising in Hong Kong may be carried forward indefinitely. The effect of temporary differences on depreciable assets is not material.

7. Dividend

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

8. Earnings/(Loss) per share attributable to ordinary equity holders of the Company

The basis earnings/(loss) per share is calculated by dividing the consolidated profit/(loss) for the period attributable to owners of the Company as set out below by weighted average number of ordinary shares in issue during period.

The calculations of basic earnings/(loss) per share are based on:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	78,456	(47,973)

8. Earnings/(loss) per share attributable to ordinary equity holders of the Company (Continued)

	At 30 June 2013 (Unaudited)	At 30 June 2012 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	2,322,148,298	485,224,000

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has only one category of dilutive potential ordinary shares: convertible bonds.

An adjustment has been made to the basic earnings/(loss) per shares amounts presented for the six months ended 30 June 2013 in respect of a dilution as the impact of convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

During the period ended 30 June 2013, the share options which were outstanding has no dilutive effect in earnings per share for the period.

	For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Consolidated profit/(loss) attributable to owners of the Company	78,456	(47,973)
Interest expense on convertible bonds (net of tax)	81	—
	78,537	(47,973)

	For the six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,322,148,298	485,224,000
Effect of dilution — weighted average number of ordinary shares: Convertible bonds	106,666,666	—
	2,428,814,964	485,224,000

9. Exploration and evaluation assets

	HK\$'000 (Unaudited)
At 31 December 2012 and at 30 June 2013	1,539,000

In 2010, the Group has obtained a mining licence expiring on 22 September 2014 of 陝西省紫陽縣桃園 — 大柞木溝鈦磁鐵礦 (the "Mine", literally translated as Shaanxi Province Ziyang County Taoyuan — Dazuomugou Taicitie Mine), an iron and titanium dioxide mine with a total mining area of 7.8892 km² located at Ziyang County, Shaanxi Province, the PRC. However, the Group has to obtain other licences to commence/continue the operations of the Mine.

The exploration and evaluation assets are stated at cost less impairment losses. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to property, plant and equipment and amortised on the units of production method (the "UOP") based on the proved and probable reserves.

The application for the PRC approval of the Mine is still in progress and the Group did not have any operation during the six months ended 30 June 2013. During the year ended 31 December 2012, the directors decided to postpone the mining plan and they expected that the Group will obtain all the required licences and approvals (the "Approvals") by the end of 2014. Construction of facilities will start upon receiving the Approvals including but not limited to (i) the acquisition of land; (ii) construction of the mining factories; (iii) acquisition and construction of mining machineries/infrastructure; and (iv) production testing. The construction is divided into 3 stages and will take about 24 to 36 months to finish. Pilot production will commence after the first stage of construction work. The Group engaged an independent valuer, Dragon Mining Consulting Limited, to assess the fair value of the exploration and evaluation assets. The fair value of the exploration and evaluation assets as at 31 December 2012 was approximately HK\$1,539,000,000 based on the income approach. No further impairment loss on the exploration and evaluation assets was charged to the consolidated condensed income statement for the ended 31 December 2012. As there were no significant changes in the situation and no additional cost have been incurred during the six months ended 30 June 2013, in the opinion of the directors, no further impairment of the exploration and evaluation assets would be made.

During the period ended 30 June 2013, the Group has not carried out any topography survey and feasibility study. The Group has not carried out any development nor production activity during the period. None of the exploration and evaluation costs were transferred to the property, plant and equipment as the directors of the Company are of the opinion that the exploration properties were not capable of commercial production at the end of reporting period.

10. Loan receivables

The Group's loan receivables arose from the money lending business during the period.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Each customer has a credit limit. Loan receivables are secured by the pledge of debtors' assets or personal guarantees by the debtors/certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Loan receivables	5,480	24,800
Classified as non-current assets	—	(1,450)
Current assets	5,480	23,350

10. Loan receivables (Continued)

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Repayable:		
Within 3 months	3,275	14,145
3 months to 1 year	2,205	9,205
Over 1 year	—	1,450
	5,480	24,800
Classified as current assets	(5,480)	(23,350)
Non-current assets	—	1,450

The aged analysis of the loan receivables that are not individually nor collectively considered to be impaired is as follows:

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Neither past due nor impaired	3,275	20,700
1 to 3 months past due	2,205	4,100
	5,480	24,800

Loan receivables that were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

Loan receivables that were past due but not impaired relate to an independent debtor. The directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

11. Trade receivables

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Trade receivables	129,776	1,839
Less: Impairment	—	(129)
	129,776	1,710

Details of the aging analysis of trade receivables, based on the invoice date, are as follows:

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
0 — 30 days	93,190	1,562
31 — 60 days	32,479	—
61 — 90 days	—	22
Over 90 days	4,107	126
	129,776	1,710

The Group's credit policies for each of its principal activities are as follows:

- (i) Trading of garments and accessories are with credit terms of 30 to 90 days
- (ii) Trading of wooden products are with credit terms of 120 to 180 days

The movements in the provision for impairment of trade receivables are as follows:

	HK\$'000 (Unaudited)
At 1 January 2012	—
Impairment losses recognised	129
At 31 December 2012 and 1 January 2013	129
Amount written off as uncollectible	(129)
At 30 June 2013	—

12. Trade payables

Details of the aging analysis of trade payables, based on the invoice date, are as follows:

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
0 — 30 days	43,510	1,646
31 — 60 days	14,627	334
61 — 90 days	732	—
Over 90 days	155	—
	59,024	1,980

13. Convertible bonds

On 3 September 2012, the Company issued 2% convertible bonds with principal value of HK\$50,000,000. The maturity date of convertible bonds is on 3 September 2015. The bonds are convertible into ordinary shares of the Company during the period from 3 months after the date of issue of the convertible bonds and expiring on the business day immediately preceding the maturity date at the initial conversion price of HK\$0.12 per share, subject to adjustment. The bonds carry interest at a rate of 2% per annum, which is payable semi-annually in arrears of the last day of June and December each year after the date of issue. Up to 30 June 2013, the convertible bonds with nominal value of approximately HK\$37,200,000 have been converted, at a conversion price of HK\$0.12, into 310,000,000 ordinary shares, respectively, of HK\$0.001 each. Thus, the outstanding principal amounts of the convertible bonds as at 30 June 2013 was approximately HK\$12,800,000 at the conversion price of HK\$0.12 per share.

The convertible bonds have been split as to the liability and equity components, as follows:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 January 2012			
Issue of convertible bonds	2,497	47,503	50,000
Imputed Interest expense	94	—	94
At 31 December 2012	2,591	47,503	50,094
Conversion into Share during the period	(1,857)	(35,342)	(37,199)
Imputed Interest expense	96	—	96
Interest paid	(130)	—	(130)
At 30 June 2013	700	12,161	12,861

14. Promissory notes

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
At beginning of period/year	321,914	—
Promissory notes issued at fair value	50,808	323,373
Shortfall of guaranteed revenue	—	(13,379)
Early redemption	(12,415)	—
Interest paid upon redemption	(308)	—
Imputed interest expenses	20,207	11,920
	380,206	321,914

- On 3 September 2012, Sky Treasure Worldwide Limited ("Sky Treasure"), an indirect wholly-owned subsidiary of the Group, issued an unsecured promissory note with principal value of HK\$228,000,000 (the "PN"). The PN bears interest at 3% per annum and is payable on 3 September 2015 (the "PN Maturity Date").

Sky Treasure has the right to redeem in full or in part of the principal amount of the PN prior to the PN1 Maturity Date ("the PN1 Early Redemption Right"). The fair values of the PN1 and PN1 Early Redemption Right at the date of issue were approximately HK\$179,581,000 and HK\$ Nil, respectively. Pursuant to the Deed of Variation, there was a shortfall of guaranteed revenue of m3 Group of approximately HK\$13,379,000, which was deducted from the principal amount of PN.

The PN is subsequently measured at amortised cost, using effective interest rate of 11.52%.

- In October 2012, the Company early redeemed the convertible bonds issued in 2010 (CB1) with principal value of approximately HK\$217,123,000 by way of issuing a promissory note with principal value of approximately HK\$173,698,000 ("PN2"), which represents 80% of the outstanding principal amount of the remaining principal value of CB1. The promissory note bears interest at 4% per annum and payable in the 31st day of December each year. The first payment shall be made on 31 December 2013. The maturity date of the promissory note is 9 October 2015 (the "PN2 Maturity Date"). The Company has the right to redeem in full or in part of the principal amount together with interest accrued thereon at any time prior to the PN2 Maturity Date (the "PN2 Early Redemption Right"). Up to 30 June 2013, the promissory notes with fair value of approximately HK\$12,415,000 at principal amount of approximately HK\$15,000,000 have been redeemed. After the redemption of PN2, the fair values of PN2 and PN2 Early Redemption Right were approximately HK\$141,828,000 and HK\$ Nil, respectively.

Subsequently, in July 2013, the Company early repaid the PN2 with amount of approximately HK\$71,916,000 by way of issuing of convertible bonds in the principal amount of approximately HK\$71,916,000 with the rights to convert into approximately 97,184,000 conversion shares at initial conversion price of HK\$0.74 per conversion share. The convertible bonds bear interest 2% per annum and payable at the end of 30th months of the date of issue of the convertible bonds.

The PN1 is subsequently measured at amortised cost, using effective interest of 11.04%.

- On 3 January 2013, the Company issued a promissory note with principal value of HK\$60,000,000 (the "PN3"). The PN3 bears interest at 4% per annum and fall due on 31 March 2016 (the "PN3 Maturity Date"). The company has the right to redeem in full or in part of the principal amount of the PN3. The fair values of the PN3 at the date of issue were approximately HK\$50,808,000 and HK\$ Nil, respectively.

The PN3 is subsequently measured at amortised cost, using effective interest rate of 10.18%.

15. Amount due to directors

The balance is unsecured, interest free and repayable on demand. In the opinion of directors the balance is approximates to its fair value.

16. Share capital

	Authorized Ordinary shares	
	No. of shares	HK\$
As at 1 January 2012 and 30 June 2013	1,500,000,000,000	1,500,000,000
	Issued and fully paid ordinary shares	
	No. of shares	HK\$
As at 1 January 2012	404,941,844	405
Issue of shares through placement (note a)	80,980,000	81
Open offer (note b)	1,700,726,454	1,701
As at 31 December 2012	2,186,648,298	2,187
Issue of shares upon conversion of convertible bonds (note c)	310,000,000	310
As at 30 June 2013	2,496,648,298	2,497

Notes:

- (a) On 7 March 2012, the company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 80,980,000 placing shares to not less than 6 independent placees at a price of HK\$0.20 per placing share. The gross proceeds from the placement of shares under the placing agreement were approximately HK\$16.196 million. Upon the completion on 20 March 2012, the net proceeds from the placement was HK\$15.61 million, of which approximately HK\$7.34 million was applied to pay the interest expenses of convertible bonds, approximately HK\$3.30 million was applied as general working capital of Group and the remaining HK\$4.97 million will be used for general working capital of the Group.
- (b) Pursuant to the ordinary resolution passed during the special general meeting of the Company on 29 June 2012, an open offer of 1,700,726,454 ordinary shares (the "Offer Shares") was proposed to the shareholders of the Company at the subscription price of HK\$0.12 per Offer Share on the basis of seven Offer Shares for every two ordinary shares.
- (c) During the period from 11 April 2013 to 16 April 2013, convertible bonds with nominal value of HK\$37,200,000 were converted into 310,000,000 ordinary shares of HK\$0.001 each at the conversion price of HK\$0.12.

17. Share-based payment transactions

Equity-settled share option scheme of the Company

The Company has a share option scheme (the "Old Share Option Scheme") which was adopted on 27 May 2002, valid and effective for a period of 10 years from that date. The Old Share Option Scheme was expired on 27 May 2012. No further options could thereafter be offered under the Old Share Option Scheme but provision of the Old Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Old Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Old Share Option Scheme.

A new share option scheme (the "New Share Option Scheme") of the Company was adopted and approved by the Company at the special general meeting of the Company held on 28 June 2013 whereby the Directors of the Company are authorized, to invite the eligible person including but not limited to any directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group or any other person, who, at the sole discretion of the Board, has contributed to the Group, to take up options, to take up options to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. The New Share Option Scheme shall be valid and effective for a period of 10 years ending on 28 June 2023, after which no further options will be granted.

The exercise price of options is determined by the board of Directors at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or (c) the nominal value of the Share.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible person in any twelve-month period is limited to 1% of the issued share capital of the Company.

17. Share-based payment transactions (Continued)**Equity-settled share option scheme of the Company** (Continued)

A new share option scheme (the "New Share Option Scheme") of the Company was adopted and approved by the Company at the special general meeting of the Company held on 28 June 2013, which is valid and effective for a period of 10 years commencing on 28 June 2013.

At 30 June 2013, a total of 260,547 (31 December 2012: 260,547) share options were still outstanding under the Old Share Option Scheme as follows:

	Grant date	At 1 January 2013	At 30 June 2013	Exercise period	Exercise price per share HK\$
Non-Executive director					
Mr. Yiu Kwok Ming, Tommy	26.9.2006	48,238	48,238	30.11.2007 - 25.9.2016	4.66
	11.6.2008	57,917	57,917	11.6.2008 - 10.6.2018	33.19
Sub-total		106,155	106,155		
Other eligible employees					
	26.9.2006	96,476	96,476	30.11.2007 - 25.9.2016	4.66
	11.6.2008	57,916	57,916	11.6.2008 - 10.6.2018	33.19
		260,547	260,547		

18. Business combination

On 18 October 2012, the Company and its wholly-owned subsidiary, Legend Whistler Limited ("Legend Whistler"), entered into an agreement with an independent third party (the "Vendor") for the acquisition of the entire issued share capital of Chang Ye Holdings Limited ("Chang Ye") and its subsidiaries (the "Chang Ye Group") at the consideration of HK\$60,000,000 ("Chang Ye Acquisition"). Chang Ye is a company incorporated in the British Virgin Islands, and with its subsidiary, and principally engages in the trading of wooden products and provision of interior design services. The consideration would be satisfied by way of the issue of a promissory note with principal value of HK\$60,000,000. The acquisition of Chang Ye was completed in January 2013.

The fair values of the identifiable assets and liabilities of the Chang Ye Group as at the date of acquisition were as follows:

	<i>HK\$ '000</i> (Unaudited)
Property, plant and equipment	1,689
Intangible assets	14,846
Inventory	17,618
Cash and bank balance	89
Trade receivables	7,078
Prepayments and other receivables	3,400
Trade payables	(10,267)
Other payables and accruals	(10,748)
Amounts due to directors	(4,978)
Tax payables	(138)
Total identifiable net assets at fair value	18,589
Goodwill on acquisition	32,219
	50,808
Consideration was satisfied by the fair value of:	
Promissory notes	50,808

An analysis of the cash flows in respect of the acquisition is as follows:

	<i>HK\$ '000</i>
Cash and cash equivalents acquired	89
Net cash inflow of cash and cash equivalents	89

19. Banking facilities

At 30 June 2013, the Group's credit facilities amounting to approximately HK\$43,141,000 (31 December 2012: HK\$39,700,000) granted by banks and a credit company were secured by the followings:

- (a) charges over bank deposits of the Group of approximately HK\$6,428,000 (31 December 2012: HK\$6,235,000);
- (b) personal guarantees of approximately HK\$13,000,000 (31 December 2012: HK\$13,000,000), HK\$26,500,000 (31 December 2012: HK\$26,500,000) and HK\$68,000,000 (31 December 2012: HK\$68,000,000), respectively, given by a director of a subsidiary, a former director and the non-executive director.

20. Commitments**(a) Operating lease commitments**

As lessee

At 30 June 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within one year	3,859	473
In the second to fifth years, inclusive	2,765	108
	6,624	581

(b) Other commitments

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Acquisition of a subsidiary	100,000	60,000

As detailed in note 22(b), the Group had commitment in relation to the acquisition of Kassade Investment of HK\$100,000,000 as at 30 June 2013.

As at 31 December 2012, the Group had commitment in relation to the acquisition of Chang Ye of HK\$60,000,000.

20. Commitments (Continued)**(c) Capital commitments**

In addition to the above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Contracted, but not provided for:		
Injection of capital	13,900	—
Purchase of property, plant and equipment	—	48
	13,900	48
Authorised, but not contracted for:		
Construction cost for the mining infrastructure	641,000	641,000

As at 30 June 2013, the Group had commitment in relation to injection of capital of HK\$13,900,000 (equivalent to USD1,790,000) to one of the subsidiaries, Zhongshan Prado.

21. Related party transactions and balances

During the period, the Group entered into the following material transactions with its related parties in the normal course of business:

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Six months ended 30 June		
(a) Transactions with related parties:		
Management fee paid to a related company (note (i))	420	420
Commission income received from a related company (note (i))	—	(21)
(b) Members of key management during the period comprised 5 (six months ended 30 June 2012: 4) executive directors and 3 non-executive directors (six months ended 30 June 2012: 1) whose remuneration is amounting to HK\$909,000 (six months ended 30 June 2012: HK\$884,000).		

Notes:

- (i) Mr. Yiu Kwok Ming, Tommy, an non-executive director of the Company at the end of reporting period, is also a director of Ching Hing Weaving Dyeing and Printing Factory Limited, the related company. This transaction was conducted in accordance with the terms agreed between the Group and the related company.

22. Events after the reporting period

- a) Pursuant to the supplemental memorandum of understanding entered into between Paradise Shadow Limited, a wholly-owned subsidiary of the Company and an independent third party in relation to the proposed acquisition of Zhongshan Jiaguan with a consideration not less than HK\$1,000,000,000 dated 18 January 2013, the Company and the vendor have not reached any agreement on the proposed acquisition. The vendor has expressed the intention not to pursue further negotiation on the proposed acquisition and the Company agreed not to proceed further with the acquisition upon expiry of the exclusive period.

22. Events after the reporting period (Continued)

- b) On 13 May 2013, Paradise Shadow Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Kassade Investment Limited at a consideration of HK\$100 million. Kassade Investment Limited is a company incorporated in the British Virgin Islands, its subsidiary and its wholly foreign-owned enterprise (“WOFE”), have been incorporated recently with no material assets and liabilities. WOFE will be principally engages in manufacturing of floor tiles, various wood frames and other household wood products. The consideration would be satisfied by way of the issue of promissory note of HK\$100 million subject to the adjustment of the amount of profit guarantee for the relevant profit generated period. As at 30 June 2013, the Group has other commitment in relation to the acquisition of Kassade of HK\$100 million.

The acquisition of Kassade is not yet completed up to the date of approval of the interim report.

- c) On 26 June 2013, the Company entered into the subscription agreement with the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe or procure subscription by its nominee for the convertible bonds in the principal amount of HK\$71,916,160 with the rights to convert into 97,184,000 conversion shares at initial conversion price of HK\$0.74 (subject to adjustments) per conversion share. The subscription price payable by the subscriber or procured by the subscriber to be payable by its nominee(s) under the subscription agreement will be satisfied by setting off against the outstanding principal amount of the promissory note of HK\$71,916,160. Such subscription are subsequently completion on 9 July 2013.
- d) On 26 July 2013, Kingstown Development Limited, a wholly-owned subsidiary of the Company, has entered into the agreement with an independent third party for the acquisition 100% issued share capital of Polar Sunshine Wood Holdings Company Limited and its subsidiary at the consideration of HK\$380 million. Polar Sunshine Wood Holdings Company Limited is a company incorporated in the British Virgin Islands, and its subsidiary, have been incorporated recently with no material assets and liabilities and the wholly foreign-owned enterprise (“WOFE”) will be incorporated in PRC. WOFE will be principally engages in trading of heating wooden household products and other basic materials for heating wooden household products. The consideration would be satisfied by way of the issue of convertible bond of HK\$380 million subject to the adjustment of the amount of profit guarantee for the relevant profit generated period. Up to the date of approval of the interim report, the acquisition is not yet completed.
- e) On 23 April 2013, Zhongshan Prado and New Oasis entered into another strategic cooperation agreement (“Cooperation Agreement II”). Pursuant to which, New Oasis agrees to act as the sales representative of Zhongshan Prado to promote the household products of Zhongshan Prado. The agency fee to be paid by Zhongshan Prado will not exceed 0.1% of the transaction value and total amount will not be more than HK\$1,000,000 per year. In addition, Zhongshan Prado agrees to supply household products to New Oasis during the years 2013 and 2014 with the value of not less than RMB100,000,000 per year. New Oasis agrees to procure household products at an annual cap of RMB150,000,000 and RMB180,000,000 for each of the years ending 31 December 2013 and 31 December 2014, respectively. New Oasis is a connected person as defined in the Listing Rules, therefore, the entering into of the Cooperation Agreement II and the transaction contemplated thereunder constitute continuing connected transaction for the Company. The circular of continuing connected transaction was dispatched on 9 August 2013 and the continuing connected transaction is subject to independent shareholders’ approval that a special general meeting will be held on 30 August 2013.
- f) On 7 August 2013, Success Base Management Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Red Hero International Limited at a consideration of HK\$480 million. Red Hero International Limited is a company incorporated in the British Virgin Islands, and its subsidiary, have been incorporated recently with no material assets and liabilities and the wholly foreign-owned enterprise (“WOFE”) will be incorporated in PRC. WOFE will be principally engaged in providing virtual interior design simulation and electronic household product trading platform for selling the Company’s household products. The consideration would be satisfied by the allotment and issue of Convertible Bonds of HK\$480 million subject to the adjustment of the amount of profit guarantee for the relevant profit generated period. The acquisition of Red Hero is not yet completed up to the date of approval of the interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

Follow the completion of the acquisition of Chang Ye Holdings Limited ("Chang Ye") on 3 January 2013, the name of the Company was changed to China Household Holdings Limited on 11 March 2013. The nature of business more clearly and provide a new corporate image to strengthens the expertise and introduces a new source of income, and it creates significant synergies with its existing business.

FINANCIAL RESULTS

Despite the global economy remaining fragile during the period ended 30 June 2013, our continuous and relentless efforts have brought us an encouraging result for the period with margin improvement and also better profitability.

For the first half of financial year of 2013, the profit for the period attributable to owners of the Group increased to HK\$78.4 million, representing a 252% increase compare with the preceding financial period. The Group turnover increased to approximately HK\$418 million as compared to HK\$5.1 million to the corresponding period 30 June 2012. The outstanding performance was largely attributable to the new trading of wooden furniture business which reported a turnover of approximately HK\$413 million during the period. In spite of the slower growth momentum of China's economy, the Group recorded a satisfactory growth in household furniture sales, which was mainly driven by the successful strategic acquisitions in the beginning of the year and the continuous enhancement of PRC retail network. The trading network represented the Group's most significant source of turnover and core operating profits.

The Group's distribution expenses amounted to approximately HK\$5.2 million for the six months ended 30 June 2013, against about HK\$1.9 million for the corresponding period 30 June 2012. The increase in such expenses was a result of the increase in transportation costs and the general increase of expenses which were in line with the increase in turnover.

The administrative expenses of the Group for six months ended 30 June 2013 decreased by 9% to approximately HK\$29 million of the same period last year. Despite slight decrease is due to the legal and professional fees incurred for the acquisition of the wooden furniture business carried out in latter half of 2012 whilst no such expenses were charged for current period. On the other hand, the Group had implemented measures for tightening costs and reducing expenditure which has also contributed to the lower administrative expenses.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

SHARE OPTION SCHEME

As at 30 June 2013, there were options for 260,547 Shares granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 27 May 2002 (the "Old Share Option Scheme"), which were valid and outstanding. The Old Share Option Scheme expired on 27 May 2012. No further options could thereafter be offered under the Old Share Option Scheme but provision of the Old Share Option Scheme shall in all other respects remain in full force and effect to the extent

necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Old Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Old Share Option Scheme.

A new share option scheme of the Company was adopted and approved by the Company at the special general meeting of the Company held on 28 June 2013, which is valid and effective for a period of 10 years commencing on 28 June 2013.

REVIEW OF OPERATION

The Group is continuously engaged in the sales of fabrics, garments and accessories, iron and titanium exploration, development and mining in the PRC, securities investment, money lending, the information and technologies services and the new acquisition business of trading of wooden home furnishing products in PRC during the period under review.

Home furnishing

The new business segment is in line with the Group's business diversification strategy and represents as attractive investment opportunity to tap into PRC total home furnishing solutions market with growth potential and to generate diversified income and addition cash flow. The Group will keep moving forward in light of the ever-changing business environment with an aim to achieve steady and sustainable growth.

In the efforts of fighting against the cost increases and the cost improvement, such as bargaining for lower price of raw materials to lessen the impact of price increase. The home furnishing segment recorded a turnover of HK\$413 million for the six months ended 30 June 2013. The Group will continuously monitor the production progress of our suppliers in order to ensure the product qualities and the production base with lower costs to further maximize the return of the home furnishing business.

Information and technologies business

The information and technological innovative business is a new segment of the Group's business since 2012. In spite of the challenging economic environment, the Group is confident in overcoming all possible challenges ahead by leveraging its strong technological and intelligent products capabilities. The Group expects that this segment could contribute steady income with satisfactory return in the long run.

Mining Business

During the period under review, the application for the PRC approval of the Mine is still in progress and the Group did not have any operation in mining business. Meanwhile, the Group has submitted the application for the licence to the relevant authorities in order to commence the production in the upcoming future. The directors decided to postpone the mining plan and the Group expected all the required licences and approvals will be obtained by year of 2014. The Group will stay close to the market and move quickly to capture any advantage opportunities of its mining business.

The Group owns the mining rights with a total area of 7.89 square km. During the period under review, details of the resources and reserves are shown below:

(a) Resource summary (includes reserves)

	Tonnage (Mt)	Grades		Contained metals	
		TFe (%)	TiO ₂ (%)	TFe (Kt)	TiO ₂ (Kt)
Taoyuan area					
Measured and indicated	40.7	29.4	13.9	11,966	5,655
Inferred	18.2	29.9	13.6	5,442	2,475
Dazuomugou area					
Measured and indicated	9.9	29.5	13.0	2,920	1,287
Inferred	11.1	29.1	13.9	3,230	1,543

(b) Reserve summary

	Tonnage (Mt)	Grades		Contained metals	
		TFe (%)	TiO ₂ (%)	TFe (Kt)	TiO ₂ (Kt)
Taoyuan area					
Proved	21.5	29.4	14.0	6,321	2,996
Probable	19.2	29.4	13.8	5,645	2,650
Dazuomugou area					
Proved	—	—	—	—	—
Probable	9.9	29.5	13.0	2,920	1,287

There has been no material change in the estimated coal reserves and resources of the Group's iron and titanium dioxide mines prepared by Dragon Mining Consulting Limited as of 30 June 2013, and the estimated iron and titanium dioxide as at 31 December 2012 and set out in the table above.

Sales of Fabrics, Garments and Accessories

The international demand for textile exports will be weakened and thus bring a more critical textile market condition. The decrease in domestic and the overseas market demand due to slowdown of global environment will add pressure to the fabric production and the garment enterprises inventory consumption. On the other hand, the fluctuations in raw material prices and the consistent labour wages and other production costs caused by inflation will generate tremendous operating pressures to the textile industry. Against the backdrop, the Group continuous experienced severe deterioration in US sales order during the first half of 2013. The turnover of the Group plummeted by 23% to HK\$2million for the six months ended 30 June 2013 as compared with the same period last year.

Fashion design

Global retail markets have been weighed heavily by the threat of European sovereign debt uncertainties and it consequently has weakened the consumer demand. In these challenging circumstances, the fashion business has been operating under a very tough environment in both aspects of income and expense in the six months ended 30 June 2013. The Group has recorded a loss of HK\$0.90 million, which was mainly attributable to the administrative expenses.

Trading of securities

Reflecting the recovery in the equity market, trading and investment recorded a profit of HK\$2.3 million and unrealized gain on held for trading investments of approximately HK\$2.7 million in the first half of financial year of 2013.

Money lending business

The performance of money lending business continued to be encouraging. The Group recorded an interest income from this segment of approximately HK\$1.3 million for the six month period ended 30 June 2013. The Group continued to expand its loan portfolio by broadening customer and revenue bases according to the prevailing market conditions and observing our different customers' financial needs.

Directors' Interest in Securities

As at 30 June 2013, the directors or their associates have the following interest or short position in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code"):

Share — long position

The Company:

Name of director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Yiu Kwok Ming, Tommy	51,812	—	—	—	51,812

Interest in underlying share

The directors of the company have been granted options under the Company's share option scheme, details of which are set out in note 17 to the condensed consolidated interim financial statements.

Save as disclosed above and note 17 to the interim financial statements, at no time during the period had the directors (including their spouse and children under 18 years of age) have any interest in, or been granted, or exercised, any right to subscribe for shares or debentures of the Company and its associated corporations.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders and other persons interests in shares and underlying shares

Any parties (other than the directors) have long positions in the shares and underlying shares as recorded in the register are required to be kept by the Company pursuant to Section 336 of the SFO. As at 31 December 2012, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Share — long position

The Company:

Name	Number of shares	Number of underlying Shares interested	Percentage of issued share capital at 30 June 2013
Tse Ling Ling	190,000,000	—	7.61%

Liquidity and Financial Resources

At 30 June 2013, the Group had total assets of HK\$2,269 million which were financed by total liabilities of HK\$524 million and total equity of HK\$1,745 million. Accordingly, the Group's ratio of debts to total assets and debts to equity are 23% (31 December 2012: 16.7%) and 30% (31 December 2012: 20.0%), respectively.

The Group generally financed its operation by internal cash resources and bank financing. As at 30 June 2013, the Group had cash on hand, bank deposits and bank balances for aggregate amount of about HK\$43.1 million (of which about HK\$6.2 million was pledged with banks for trade finance facilities for the Group) and unutilised banking facilities for a total amount of about HK\$43.1 million.

Capital Structure

During the six months ended 30 June 2013, the convertible notes amounted to HK\$37.2 million were converted into 310,000,000 ordinary shares of the Company.

Apart from the above, there was no change in the capital structure of the company during the period under review.

PLEDGE OF ASSETS

As at 30 June 2013, the Group's bank deposits of approximately HK\$6.2 million were pledged with banks for banking facilities of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRADING SCHEMES

As at 30 June 2013, the Group employed about 142 employees including sales and merchandising, accounting and administrative staff in Hong Kong and the PRC. The total staff costs and directors' remuneration for the six months ended 2013 were HK\$10.3 million. Employees are remunerated based on market and industry practice. The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In the middle of October 2012, the Group entered into the sale and purchase agreement to acquire the entire issued share capital of Chang Ye at a consideration of HK\$60 million. The deal was completed on 3 January 2013. Upon the completion, the Group issued promissory notes in principal amount of HK\$60 million as consideration. The Group believes this is attractive opportunity to step into PRC total home furnishing solutions market. Apart from diversifying the business portfolio of the Group, the acquisition will also provide synergy to the Group's existing business.

On 13 May 2013, Paradise Shadow Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Kassade Investment Limited at a consideration of HK\$100 million. Kassade Investment Limited is a company incorporated in the British Virgin Islands, its subsidiary and its wholly foreign-owned enterprise ("WOFE"), have been incorporated recently with no material assets and liabilities. WOFE will be principally engages in manufacturing of floor tiles, various wood frames and other household wood products. The consideration would be satisfied by way of the issue of promissory note of HK\$100 million subject to the adjustment of the amount of profit guarantee for the relevant profit generated period. As at 30 June 2013, the Group has other commitment in relation to the acquisition of Kassade of HK\$100 million. The acquisition of kassade is not yet completed up to the date of approval of the interim report.

On 26 July 2013, the Company entered into an agreement with the vendor for the acquisition of the entire issued share capital of Polar Sunshine at a consideration of HK\$380 million. Polar Sunshine is a company incorporated in the British Virgin Islands, and with its subsidiary, and its wholly foreign-owned enterprise ("WOFE"). The WOFE will be principally engaged in trading of heating wooden household products and other basic materials for heating wooden household products. The consideration would be satisfied by the way of the issue of the convertible bonds with principal amount of HK\$380 million subject to the adjustment of the amount of profit guarantee for the relevant profit generated period. The acquisition is not yet been completed up to the date of approval of the interim report.

On 7 August 2013, Success Base Management Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Red Hero International Limited at a consideration of HK\$480 million. Red Hero International Limited is a company incorporated in the British Virgin Islands, and its subsidiary, have been incorporated recently with no material assets and liabilities and the wholly foreign-owned enterprise ("WOFE") will be incorporated in PRC. WOFE will be principally engaged in providing virtual interior design simulation and electronic household product trading platform for selling the Company's household products. The consideration would be satisfied by the allotment and issue of convertible bonds of HK\$480 million subject to the adjustment of the amount of profit guarantee for the relevant profit generated period.

The acquisition of Red Hero is not yet completed up to the date of approval of the interim report.

On 23 April 2013, Zhongshan Prado and New Oasis entered into another strategic cooperation agreement ("Cooperation Agreement II"). Pursuant to which, New Oasis agrees to act as the sales representative of Zhongshan Prado to promote the household products of Zhongshan Prado. The agency fee to be paid by Zhongshan Prado will not exceed 0.1% of the transaction value and total amount will not be more than HK\$1,000,000 per year. In addition, Zhongshan Prado agrees to supply household products to New Oasis during the years 2013 and 2014 with the value of not less than RMB100,000,000 per year. New Oasis agrees to procure household products at an annual cap of RMB150,000,000 and RMB180,000,000 for each of the years ending 31 December 2013 and 31 December 2014, respectively. New Oasis is a connected person as defined in the Listing Rules, therefore, the entering into of the Cooperation Agreement II and the transaction contemplated thereunder constitute continuing connected transaction for the Company. The circular of continuing connected transaction was dispatched on 9 August 2013 and the continuing connected transaction is subject to independent shareholders' approval that a special general meeting will be held on 30 August 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

For the period under review, the Company has complied with all the applicable code provisions in the Code on Corporate Governance Practices (effective up to 31 March 2012) and the CG code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules during the period from 1 January 2013 to 30 June 2013, except for the deviation discussed below:

In respect of code provision A.6.7 of the CG code, Mr. To Yan Ming, Edmond and Mr. Kaneko Hiroshi, the independent non-executive directors, and Mr. Yiu Kwok Ming, Tommy, the non-executive director, were unable to attend the annual general meeting of the Company held on 28 June 2013 (the "AGM") due to other crucial business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. As confirmed by all directors after specific enquiry, all directors have complied with required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 June 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2013.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Dr. Loke Yu (Chairman of the Committee), Mr. To Yan Ming, Edmond and Mr. Kaneko Hiroshi. The Audit committee has reviewed the Unaudited Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2013. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

REMUNERATION COMMITTEE

The Remuneration Committee was established to determine the compensation structure and rewards for the CEO and other executive directors and monitors the policies being applied in remunerating other senior executives. The Remuneration Committee comprises two independent non-executive directors, namely Mr. To Yan Ming, Edmond (Chairman of the Committee) and Mr. Kaneko Hiroshi, and one executive director, namely Mr. Wong Man Pan (Chairman of the Company). The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

NOMINATION COMMITTEE

The Nomination Committee is responsible for selecting Board members and ensuring transparency of the selection process. The committee identifies individuals suitably qualified to become or continue to be the Board members by taking into considerations criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee currently comprises three independent non-executive directors, namely Mr. To Yan Ming, Edmond (Chairman of the Committee), Mr. Kaneko Hiroshi and Dr. Loke Yu and two executive directors, namely Mr. Wong Man Pan (Chairman of the Company) and Mr. Tsang King Sun.

MEMBERS OF THE BOARD

Executive directors:

Mr. Wong Man Pan (*Chairman*)
Mr. Tsang King Sun
Mr. Fu Zhenjun
Mr. Kuang Yuanwei (*appointed on 1 February 2013*)
Ms. Tsui Kwok Yin, Czarina (*retired on 28 June 2013*)

Non-executive directors:

Mr. Yiu Kwok Ming, Tommy
Mr. Xie Jianming (*appointed on 20 May 2013*)
Mr. Zhu Qi (*appointed on 20 May 2013*)

Independent non-executive directors:

Mr. Liang Jin An (*retired on 28 June 2013*)
Mr. Ng Lok Kei (*retired on 28 June 2013*)
Mr. Chan Hon Yuen (*resigned on 28 June 2013*)
Mr. To Yan Ming, Edmond
Mr. Kaneko Hiroshi
Dr. Loke Yu (*appointed on 9 August 2013*)
Mr. Lin Xuebin (*appointed on 9 August 2013*)