



Artel Group
宏通集團

ARTEL SOLUTIONS GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 931)

2013
Interim Report

The board (the "Board") of directors (the "Directors") of Artel Solutions Group Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 (the "Period") together with the comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Rental income	2	420	360
Dividend income from held for trading investments	2	5,546	1,238
Gain on disposal of held for trading investments	2	–	11,088
(Loss)/gain on fair value changes on held for trading investments	2	(13,107)	1,972
		(7,141)	14,658
Other income		186	297
Administrative expenses		(2,935)	(2,460)
(Loss)/profit from operations		(9,890)	12,495
Finance costs	3(a)	(25)	–
(Loss)/profit before taxation	3	(9,915)	12,495
Taxation	4	(37)	(663)
(Loss)/profit and total comprehensive (loss)/income for the period attributable to equity shareholders of the Company		(9,952)	11,832
(Loss)/earnings per share (HK cents)	6		
– Basic		(0.1146)	0.1559
– Diluted		N/A	0.1057

The notes on pages 5 to 17 form part of these condensed consolidated financial statements.

Details of dividends payable to equity shareholders of the Company are set out in Note 5.

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Non-current assets			
Investment properties	7	84,860	84,800
Plant and equipment		568	702
Deferred tax assets		15	11
		85,443	85,513
Current assets			
Held for trading investments	8	194,899	–
Prepayments and deposits		670	894
Bank balances and cash		14,303	167,177
		209,872	168,071
Current liabilities			
Accrued charges and other payables		514	448
Secured bank loan	9	68,948	–
Income tax payable		1,345	1,345
		70,807	1,793
Net current assets			
		139,065	166,278
Total assets less current liabilities			
		224,508	251,791
Non-current liability			
Deferred tax liability		105	64
Net assets			
		224,403	251,727
Capital and reserves			
Share capital	10	86,863	86,863
Reserves		137,540	164,864
Shareholders' funds			
		224,403	251,727

The notes on pages 5 to 17 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital	Share premium	Special reserve	Convertible notes reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	70,541	466,939	9,370	163,000	(415)	(470,103)	239,332
Conversion of convertible notes (Note 11)	6,218	17,782	-	(24,000)	-	-	-
Total comprehensive income for the period	-	-	-	-	-	11,832	11,832
At 30 June 2012 (Unaudited)	76,759	484,721	9,370	139,000	(415)	(458,271)	251,164
At 1 January 2013	86,863	505,941	9,370	100,000	(415)	(450,032)	251,727
Dividend approved in respect of previous year (Note 5(b))	-	(17,372)	-	-	-	-	(17,372)
Total comprehensive loss for the period	-	-	-	-	-	(9,952)	(9,952)
At 30 June 2013 (Unaudited)	86,863	488,569	9,370	100,000	(415)	(459,984)	224,403

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

The notes on pages 5 to 17 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(204,572)	47,857
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	122	(2,041)
NET CASH FROM FINANCING ACTIVITIES	51,576	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(152,874)	45,816
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	167,177	91,625
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	14,303	137,441

The notes on pages 5 to 17 form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group and selected explanatory notes have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure provisions set out in Appendix 16 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements of the Group have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2012, except for the changes in accounting policy made when the Group initially applied financial reporting standards newly applicable to the annual period beginning on 1 January 2013.

The initial application of these financial reporting standards does not necessitate material changes in the Group’s accounting policies except the following:–

- (i) HKFRS 10 “Consolidated Financial Statements” modifies the concept of “control” substantially. The Group’s adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities; and
- (ii) HKFRS 13 “Fair Value Measurement” introduces a number of new concepts and principles regarding fair value measurement. The Group’s adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the condensed consolidated financial statements.

The Group has not applied the new or revised standards, amendments and interpretations that have been issued but were not yet effective for the accounting period of these financial statements. The Directors anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

2. TURNOVER AND SEGMENT INFORMATION

The Group's turnover represents the aggregate of the rental income from letting of investment properties, dividend income from held for trading investments and net realised and unrealised gains or losses from trading securities, and is analysed as follows:–

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Rental income	420	360
Dividend income from held for trading investments	5,546	1,238
Gain on disposal of held for trading investments	–	11,088
(Loss)/gain on fair value changes on held for trading investments	(13,107)	1,972
	(7,141)	14,658

For management purposes, the Group is organised into two operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:–

- Properties investment
- Trading of securities

Notes to the Condensed Consolidated Financial Statements

2. TURNOVER AND SEGMENT INFORMATION (continued)

Segment revenue, expenses and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and expenses are determined before intra-group transactions and are eliminated as part of the consolidated process, except to the extent that such intra-group transactions are between group enterprises within a single segment. Unallocated items comprise corporate and financial expenses. This is the measure reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's (loss)/earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment Information about the aforementioned business is set out below: -

	Properties investment		Trading of securities		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
TURNOVER						
External	420	360	(7,561)	14,298	(7,141)	14,658
RESULT						
Segment result	70	44	(8,100)	13,860	(8,030)	13,904
Other operating income					186	297
Unallocated corporate expenses					(2,046)	(1,706)
Finance costs					(25)	-
(Loss)/profit before taxation					(9,915)	12,495
Taxation					(37)	(663)
(Loss)/profit for the period					(9,952)	11,832

The Group's operations are located in Hong Kong during both periods.

During the Period, the Group has one lessee (2012: one).

Notes to the Condensed Consolidated Financial Statements

3. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
(Loss)/profit before taxation has been arrived at after charging/(crediting):-		
(a) Finance costs		
Interest on secured bank loan	25	-
(b) Other items		
Depreciation of plant and equipment	138	76
Rental income less outgoings	(288)	(236)
Interest income	(186)	(297)

4. TAXATION

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Hong Kong Profits Tax	-	663
Deferred tax	37	-
	37	663

No provision for Hong Kong Profits Tax had been made in the condensed consolidated financial statements as the Group did not have any assessable profit for the Period.

Notes to the Condensed Consolidated Financial Statements

4. TAXATION (continued)

Provision of Hong Kong Profits Tax for the preceding period was calculated at 16.5% of the estimated assessable profits.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

5. DIVIDEND

(a) Dividend payable to equity shareholders attributable to the interim period:-

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK\$Nil per share (2012: HK0.1 cents per share)	-	7,676

The interim dividend has not been recognised as a liability at the end of the preceding period.

(b) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:-

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK0.2 cents per share (six months ended 30 June 2012: HK\$Nil per share)	17,372	-

Notes to the Condensed Consolidated Financial Statements

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share of the Company (the "Share") attributable to equity shareholders of the Company for the Period is based on the loss for the Period of approximately HK\$ 9,952,000 (2012: profit of approximately HK\$11,832,000) and the weighted average number of 8,686,267,821 (2012: 7,590,498,306) Shares in issue.

Diluted loss per Share has not been calculated for the Period as the exercise of the outstanding convertible notes would result in a reduction in the loss per Share. The calculation of diluted earnings per Share attributable to equity shareholders of the Company for the preceding period is based on the profit for the preceding period of approximately HK\$11,832,000 and the weighted average number of 7,590,498,306 Shares in issue adjusted for potential diluted effect of 3,601,036,269 Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the outstanding convertible notes (see Note 11).

	As at 30 June	
	2013 Number of Share	2012 Number of Share
Weighted average number of Shares		
Weighted average number of Shares (basic)	8,686,267,821	7,590,498,306
Effect of the exercise in full of the conversion rights attaching to the outstanding convertible notes	2,590,673,575	3,601,036,269
Weighted average number of Shares (diluted)	11,276,941,396	11,191,534,575

Notes to the Condensed Consolidated Financial Statements

7. INVESTMENT PROPERTIES

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
At 1 January	84,800	78,811
Additions	60	2,089
Fair value adjustment	–	3,900
At fair value	84,860	84,800

The directors estimated the fair value of the Group's investment properties at 30 June 2013 by reference to comparable sales transactions as available in the relevant market.

The fair value of the Group's investment properties at 31 December 2012 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd, an independent professional surveyor and property valuer not connected with the Group. RHL Appraisal Ltd is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived by reference to comparable sales transactions as available in the relevant market.

All of the Group's properties interest held under operating lease to earn rentals or for capital appreciation purposes is measured using the fair value model and is classified and accounted for as an investment property.

Notes to the Condensed Consolidated Financial Statements

7. INVESTMENT PROPERTIES (continued)

As at 30 June 2013 and 31 December 2012, all of the Group's investment properties were located in Hong Kong and were built on land held under the following term leases:–

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Medium-term leases	63,210	63,150
Long-term leases	21,650	21,650
	84,860	84,800

The Group's investment properties with total carrying value of approximately HK\$84,860,000 (31 December 2012: HK\$Nil) as at 30 June 2013 were pledged to secure the Group's banking facilities (Note 13) during the Period.

8. HELD FOR TRADING INVESTMENTS

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	194,899	–

The fair value of the Group's investments in listed equity securities has been determined directly by reference to their published price quotations in active market as at 30 June 2013.

Notes to the Condensed Consolidated Financial Statements

9. SECURED BANK LOAN

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Bank loan wholly repayable within one year, secured	68,948	–

Details of assets pledged to secure the bank loan of the Group were disclosed in Note 13.

10. SHARE CAPITAL

	2013		2012	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each				
Authorised:-				
At 1 January and at 30 June	40,000,000,000	400,000	40,000,000,000	400,000
Issued and fully paid:-				
At 1 January	8,686,267,821	86,863	7,054,143,469	70,541
Conversion of convertible notes (Note 11)	–	–	621,761,658	6,218
At 30 June	8,686,267,821	86,863	7,675,905,127	76,759

Notes to the Condensed Consolidated Financial Statements

11. CONVERTIBLE NOTES

On 15 January 2008, the Company and Mr. Kan Che Kin, Billy Albert (“Mr. Kan”), an executive Director and the substantial shareholder of the Company, entered into a subscription agreement (the “Subscription Agreement”) pursuant to which the Company had conditionally agreed to issue and Mr. Kan had conditionally agreed to subscribe for the zero-coupon and non-redeemable convertible notes (the “Convertible Notes”) of the Company in an aggregate principal amount of HK\$358 million. The conversion price is HK\$0.0386 per Share. Assuming that the conversion rights attached to the Convertible Notes are exercised in full at the conversion price of HK\$0.0386 per Share, an aggregate of 9,274,611,398 Shares will be issued.

Completion of the Subscription Agreement took place on 13 February 2008 and the Convertible Notes were issued by the Company to Mr. Kan pursuant to the Subscription Agreement on the same date. The subscription price of the Convertible Notes of HK\$358 million was satisfied in part of approximately HK\$318 million by setting off the full amount of (i) the bank overdraft and borrowings of approximately HK\$256 million and the debt of approximately HK\$59 million due to a supplier which had been assigned to Mr. Kan; and (ii) the loan of approximately HK\$3 million advanced by Mr. Kan, against such amount of the subscription price of the Convertible Notes on a dollar for dollar basis. The remaining balance of the subscription price of approximately HK\$40 million was settled in cash, which was used as general working capital of the Group. The maturity date of the conversion rights attached to the Conversion Notes is 13 February 2013, being the date falling on the fifth anniversary from the date of issue of the Convertible Notes. In the event the compulsory conversion of the outstanding principal amount of the Convertible Notes on the maturity date would render the then issued Shares held in the public hands being less than the minimum public float as required under the Listing Rules from time to time, the Convertible Notes will be renewed automatically for successive term of one year commencing the day next after the expiry of the then current term of the Convertible Notes. On 13 February 2013, the Compulsory Conversion of the outstanding principal amount of the Convertible Notes, if took place, would have rendered the then issued Shares held in the public hands being less than the minimum public float requirement under the Listing Rules, therefore, there was no compulsory conversion and the maturity date of the conversion rights attached to the Convertible Notes was automatically extended to 13 February 2014.

Notes to the Condensed Consolidated Financial Statements

11. CONVERTIBLE NOTES (continued)

The outstanding principal amount of the Convertible Notes as at 1 January 2012 was HK\$163,000,000. On 26 January 2012, Mr. Kan exercised the conversion rights attaching to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK\$24,000,000 of the Convertible Notes and an aggregate of 621,761,658 Shares were allotted and issued to Mr. Kan. The outstanding principal amount of the Convertible Notes as at 30 June 2012 was HK\$139,000,000.

On 12 December 2012, Mr. Kan further exercised the conversion rights attached to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK\$39,000,000 of the Convertible Notes and an aggregate of 1,010,362,694 Shares were allotted and issued to Mr. Kan. Save as disclosed, there was no other conversion thereafter and the outstanding principal amount of the Convertible Notes as at 1 January 2013 and 30 June 2013 was HK\$100,000,000.

12. RELATED PARTY TRANSACTIONS

(a) Apart from the information as disclosed elsewhere in the condensed consolidated financial statements, the Group did not have other material transactions with its related parties during both periods.

(b) Compensation of key management personnel

The remuneration of key management personnel during the Period was as follows:-

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	597	559
Post-employment benefits	8	6
	605	565

Notes to the Condensed Consolidated Financial Statements

13. BANKING FACILITIES

As at 30 June 2013, the banking facility of a subsidiary of the Company was secured by mortgages over the Group's investment properties with an aggregate carrying value of HK\$84,860,000 and corporate guarantee provided by the Company. Such banking facility amounted to HK\$70,000,000 and was utilised to the extent of approximately HK\$68,948,000 as at 30 June 2013. As at 31 December 2012, no banking facility was granted to the Group.

14. OPERATING LEASE ARRANGEMENT

The Group as lessee:-

As at 30 June 2013, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:-

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	979	979
In the second to fifth year inclusive	947	1,436
	1,926	2,415

Operating lease payments represent rentals payable by the Group for its office premises. The lease is negotiated for a term of 3 years (2012: 3 years) and the lease is guaranteed by Mr. Kan. The lease includes no contingent rentals.

Notes to the Condensed Consolidated Financial Statements

14. OPERATING LEASE ARRANGEMENT (continued)

The Group as lessor:–

At the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases are receivable as follows:–

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	840	840
In the second to fifth year inclusive	140	560
	980	1,400

The lease is negotiated with a term of 2 years with fixed monthly rental (2012: 2 years). The lease includes no contingent rentals.

15. CONTINGENT LIABILITIES

The Company:

Financial guarantee issued

As at 30 June 2013, the Company has issued guarantee of HK\$70,000,000 to a bank in respect of a banking facility granted to a wholly owned subsidiary of the Company.

The Group:

The Group did not have any significant contingent liabilities as at 30 June 2013.

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS OF ARTEL SOLUTIONS GROUP HOLDINGS LIMITED *(Incorporated in the Cayman Islands with limited liability)*

Introduction

We have reviewed the interim financial information set out on pages 1 to 17 which comprises the condensed consolidated statement of financial position of Artel Solutions Group Holdings Limited as of 30 June 2013 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 financial information 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 financial information is not prepared, in all material respects, in accordance with HKAS 34.

PKF

Certified Public Accountants
Hong Kong
26 August 2013

Management Discussion and Analysis

Business Review and Financial Review

Turnover of the Group decreased significantly from a profit of approximately HK\$15 million for the period ended 30 June 2012 to a loss of approximately HK\$7 million for the Period. The significant decrease in turnover was mainly resulted from the unrealised loss on trading of equity securities listed in Hong Kong of approximately HK\$13 million during the Period while the realised and unrealised gain for the previous corresponding period was approximately HK\$13 million. On the other hand, the dividend income increased from approximately HK\$1.2 million for the previous corresponding period to approximately HK\$5.5 million, being mainly due to bonus shares of approximately HK\$4.6 million was received during the Period.

For the segment of properties investment, the rental income increased from HK\$360,000, which was only derived from one residential property located in Kwu Tung (the "Kwu Tung Property"), for the previous corresponding period to HK\$420,000, which was only derived from one residential property located in Central Mid-levels for the Period. The tenancy agreement of the Kwu Tung Property was expired on 7 August 2012 and the property remains vacant up to now. The other residential property located in the Repulse Bay also remains vacant. The Group continues to seek for tenants of the vacant properties for rental income purpose.

In conclusion, the results of the Group changed from net profit of approximately HK\$12 million for the previous corresponding period to net loss of approximately HK\$10 million for the Period.

Prospects

Besides the existing businesses, the Group continued to look for new business opportunities to diversify its business into industries that provide better returns for the shareholders of the Company.

Liquidity and financial resources

The Group had total cash and bank balances of approximately HK\$14 million as at 30 June 2013 (31 December 2012: approximately HK\$167 million). The gearing ratio of the Group as at 30 June 2013 calculated as a ratio of bank loan to total assets was approximately 23%. There was no short-term borrowing as at 31 December 2012 and no gearing ratio of the Group was calculated. Net assets were approximately HK\$224 million as at 30 June 2013 (31 December 2012: approximately HK\$252 million).

The Group recorded total current assets value of approximately HK\$210 million as at 30 June 2013 (31 December 2012: approximately HK\$168 million) and total current liabilities value of approximately HK\$71 million (31 December 2012: approximately HK\$2 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was about 2.96 as at 30 June 2013 (31 December 2012: approximately 93.74).

Management Discussion and Analysis

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2012: HK0.1 cents per Share) for the Period.

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated in Hong Kong dollars. Most of the Group's monetary assets and liabilities were denominated in this currency, except for the secured bank loan which was denominated in Japanese dollars. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rate of Japanese dollars and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

TREASURY POLICIES

The Group's borrowing is denominated in Japanese dollars and at fixed interest rate. Bank balances and cash held by the Group were denominated in Hong Kong dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitors foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

At 30 June 2013, investment properties with a carrying value of approximately HK\$85 million (31 December 2012: HK\$Nil) were pledged to secure bank borrowing granted to the Group.

SHARE CAPITAL

As at 30 June 2013, the issued share capital of the Company comprised 8,686,267,821 ordinary Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

During the Period, the Group acquired equity securities listed in Hong Kong of approximately HK\$203,362,000 and none of these listed securities was disposed of. As at 30 June 2013, the held for trading investment represented the equity securities listed in Hong Kong at fair value of approximately HK\$194,899,000. Details of the performance of these listed securities are set out in Note 2 to the condensed consolidated financial statements.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the Period.

SEGMENTAL INFORMATION

Details of segmental information for the Period are set out in Note 2 to the condensed consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2013.

STAFF AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 6 employees (31 December 2012: 5 employees). The Group's total staff costs amounted to approximately HK\$754,000 (2012: HK\$619,000) for the Period. The Group remunerated its employees mainly based on industry practice and individual's performance and experience.

Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include retirement schemes.

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

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the Period.

Management Discussion and Analysis

DIRECTORS AND CHIEF EXECUTIVES INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions

Name of Director	Name of company in which interests were held	Nature of interests	Number of shares held	Approximate percentage of shareholding
Mr. Kan Che Kin, Billy Albert ("Mr. Kan")	The Company	Beneficial owner	8,572,200,718 Shares (Note 1)	98.69%
		Trustee	100,225,000 Shares (Note 2)	1.15%
			<u>8,672,425,718</u>	<u>99.84%</u>
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	3,000,000 Shares	0.03%
Ms. Li Shu Han, Eleanor Stella	The Company	Beneficial owner	2,000,000 Shares	0.02%
Mr. Ip Woon Lai	The Company	Beneficial owner	1,000,000 Shares	0.01%

Management Discussion and Analysis

DIRECTORS AND CHIEF EXECUTIVES INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. These Shares represent: (i) 5,981,527,143 Shares held by Mr. Kan as beneficial owner; and (ii) 2,590,673,575 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the outstanding Convertible Notes.
2. These Shares represent 100,225,000 Shares held by Mr. Kan as trustee.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2013.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as was known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions

Name of shareholder	Number of Shares held	Approximate percentage of the Issue share capital of the Company
Mrs. Kan Kung Chuen Lai	8,672,425,718 Shares (Note 1)	99.84%

Note:

1. Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the Shares held by Mr. Kan pursuant to the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2013.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2013.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

Management Discussion and Analysis

CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Period, except for the following deviations:

1. Code Provision A.2

Under the Code Provision A.2, the Company has not appointed any individual to take up the posts of the chief executive officer and chairman of the Company for the period from 1 January 2013 to 6 May 2013 and the daily operation and management of the Group were monitored by the directors as well as the senior management of the Group. The balance of power and authority was ensured by the operation of the Board and the Board considered that the current structure would not impair the balance of power and authority between the Board and the senior management of the Group. On 7 May 2013, Mr. Kan was appointed as the executive Director, chairman and chief executive officer of the Company.

2. Code Provision A.2.1

Under code provision A2.1, the role of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company were held by Mr. Kan for the period from 7 May 2013 to 30 June 2013. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to the Group.

3. Code Provision A.4.1 and A.4.2

Under code provision A.4.1 and A.4.2, non-executive Directors should be appointed for specific term and each Director should be subject to retirement by rotation at least once every three years. The independent non-executive Directors (the "INEDs") are not appointed for a specific term, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company at least once every three years.

Management Discussion and Analysis

CORPORATE GOVERNANCE REPORT (continued)

4. Code Provision A.6.7

Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend general meetings. One of the INEDs, namely Mr. Lee Kong Leong was unable to attend the annual general meeting (the "AGM") of the Company held on 21 May 2013 as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the shareholders of the Company in the AGM. As such, the Board considers that the development of a balanced understanding of the views of shareholders of the Company among the INEDs was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 June 2013.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Kan Che Kin, Billy Albert, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert, all being the executive Directors and Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong, all being the independent non-executive Directors.

On behalf of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 26 August 2013