



FIRST NATURAL FOODS HOLDINGS LIMITED
第一天然食品有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01076)

Interim Report 2013

* *for identification purpose only*

Contents

	<i>Page(s)</i>
Corporate Information	2-3
Review of Operations.....	4-6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	7
Condensed Consolidated Statement of Financial Position.....	8
Condensed Consolidated Statement of Changes in Equity.....	9
Condensed Consolidated Statement of Cash Flows.....	10
Notes to the Condensed Consolidated Interim Financial Statements.....	11-18
Other Information.....	19-22

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Kunyan (Chairman)
Mr. Shum Chin Tong Peter
Mr. Yau Dennis Wai Tak

Non-executive Director

Mr. Lee Wa Lun Warren

Independent Non-executive Directors

Mr. Wong Chi Keung
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

EXECUTIVE COMMITTEE

Mr. Huang Kunyan (Chairman)
Mr. Shum Chin Tong Peter
Mr. Yau Dennis Wai Tak

AUDIT COMMITTEE

Mr. Wong Chi Keung (Chairman)
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

NOMINATION COMMITTEE

Mr. Huang Kunyan (Chairman)
Mr. Wong Chi Keung
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

REMUNERATION COMMITTEE

Mr. Wong Chi Keung (Chairman)
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

COMPANY SECRETARY

Mr. Li Chak Hung

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

LEGAL ADVISORS

Hong Kong
P. C. Woo & Co.

Bermuda
Conyers Dill & Pearman

INDEPENDENT AUDITOR

ANDA CPA Limited

Corporate Information

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

14/F, Bangkok Bank Building
490-492 Nathan Road
Yaumatei, Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

WEBSITE

<http://www.equitynet.com.hk/1076>

STOCK CODE

01076

Review of Operations

BUSINESS REVIEW

During the period under review, the “Group” was principally engaged in processing and trading of frozen food products which are sold mainly to Canada, the People’s Republic of China (“PRC”), Hong Kong and other South-East Asian region. Although the underlying global demand for frozen foods products remained strong during the six months period ended 30 June 2013, some major countries with markets for frozen food products continued to suffer from economic hardship and pressure on global food trades and therefore affecting the performance of the Group during the period. Especially, fluctuation and continuous downward trend in selling prices has been exerting pressure on the business volume and gross margin of the Group. As a result, the Group recorded a decrease in turnover by approximately HK\$93,452,000 to approximately HK\$254,171,000 for the period ended 30 June 2013 with gross profit decreased to approximately HK\$6,634,000 for the current period as compared with the gross profit of approximately HK\$8,777,000 of last corresponding period. However, it is encouraging that the Group began its first supply of frozen food product to one of the leading supermarket channel in Hong Kong, namely PARKnSHOP, during the period. We believe that with the business with PARKnSHOP will enhance the image and recognition of our products which will be benefited to our frozen foods business in the long run.

Last period, food processing income of approximately HK\$5,819,000 (included in other income) was recorded which was derived from food processing services provided to customers. However, there is no such income for the period ended 30 June 2013 mainly due to keen competition from other food processing plants. In view of this, the Group has been regularly reviewing its operational arrangement with the processing plant in Jiangmen, the PRC leased under an operating lease agreement (the “Management Rights Agreement”) in order to maintain competitive for the food processing business of the Group and the Group will continue to explore more customers who needs such food processing services.

Developing sales channels through food distributors continued to be the main focus during the period. Therefore, the Group had incurred more resources on market development and promotion in the PRC food distribution market with a view to increase the Group’s coverage by expanding the customer base and supplier network. In addition, retention of quality employees is one of the important elements for the success of an enterprise. Therefore, the Group had incurred more staff cost during the period ended 30 June 2013 as compared with last period. Accordingly, selling and distribution expenses as well as administrative expenses had been increased as compared with last corresponding period.

Review of Operations

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$254,171,000 decreased by approximately HK\$93,452,000 or 26.9% with gross profit decreased by approximately HK\$2,143,000 or 24.4%. The decrease in turnover was mainly due to the decrease in sales to PRC as well as the continuing effort on turning down low margin trades with a view to minimising the risk of and the working capital required for these low margin trades. In addition, there is a lack of food processing income during the period ended 30 June 2013 as compared with approximately HK\$5,819,000 (included in other income) of last period mainly due to keen competition from other food processing plants. Moreover, during the period, the Group incurred more expenses for market development and the administrative expenses. As a result, the Group recorded a loss from operation of approximately HK\$1,895,000 for the current period, while there was a profit from operation of approximately HK\$7,947,000 for last period.

The Group's loss attributable to owners of the Company for the six months ended 30 June 2013 was approximately HK\$1,895,000, being an increase in loss by approximately HK\$943,000 as compared with last period taking into account of the restructuring cost of approximately HK\$2,763,000 and finance costs of approximately HK\$4,799,000 incurred last period.

Material acquisition and disposals

There were no material acquisition and disposal of subsidiaries, associated companies and joint ventures during the period.

Financial Resources, Liquidity and Capital Structure

There was no new issue or repurchase of shares of the Company during the period. As at 30 June 2013, total assets of the Group was approximately HK\$180,674,000 (31 December 2012: approximately HK\$184,486,000) comprising non-current assets of approximately HK\$31,170,000 (31 December 2012: approximately HK\$32,710,000) and current assets of approximately HK\$149,504,000 (31 December 2012: approximately HK\$151,776,000). In addition, the Group maintained a strong bank and cash balances of approximately HK\$79,118,000 as at 30 June 2013 (31 December 2012: approximately HK\$66,952,000). As at 30 June 2013, the liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 6.77 times (31 December 2012: 6.33 times). At 30 June 2013 and 31 December 2012, the Group's gearing ratio on the basis of the Group's interest bearing liabilities divided by total equity was nil as the Group did not have any interest bearing bank and other borrowings.

Review of Operations

Risk of Foreign Exchange Fluctuation

The business transactions of the Group are mainly carried in Hong Kong dollars and US dollars meaning that it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure and would take prudent measures as appropriate.

EMPLOYEES AND REMUNERATION POLICIES

Including the directors of the Company (“the Directors”), the total number of employees of the Group as at 30 June 2013 was 23 (31 December 2012: 24).

Remuneration packages are reviewed annually and determined by reference to market scale and individual performance. In addition to salary payments, the Group also provides other employment benefits such as provident fund.

BUSINESS OUTLOOK

The world economy continues to remain uncertain and it is expected that there are risks and challenges ahead. In particular, keen competition from other food traders as well as the tightening the standard on food safety will exert pressure on the performance in terms of both business volume and gross profit margin of the Group. Looking forward, the Group will continue to cautiously operate its frozen foods trading business. On the other hand, the Group will focus on developing its food distribution platform to build up its sales network. In addition, the Group has been regularly reviewing its operation arrangement with the food processing plant in Jiangmen PRC under the Management Rights Agreement in order to maintain operating efficiency for the food processing business of the Group. The Group will continue to prudently implement the above strategies for the benefit of the Group and the shareholders of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3 & 5	254,171	347,623
Cost of sales		(247,537)	(338,846)
Gross profit		6,634	8,777
Other income	4	1,831	7,177
Selling and distribution expenses		(1,721)	(1,218)
Administrative expenses		(8,639)	(6,789)
(Loss)/profit from operations		(1,895)	7,947
Restructuring costs	6	–	(2,763)
Finance costs	7	–	(4,799)
(Loss)/profit before tax	8	(1,895)	385
Income tax expenses	9	–	(1,337)
Loss and total comprehensive expenses for the period attributable to owners of the Company		(1,895)	(952)
		HK Cents	HK Cents
Loss per share attributable to owners of the Company			
Basic and diluted	11	(0.47)	(6.42)

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		197	237
Prepayments, deposits and other receivables	12	24,875	26,375
Goodwill		6,098	6,098
		31,170	32,710
Current assets			
Inventories	13	3,895	3,444
Trade receivables	14	57,306	72,318
Prepayments, deposits and other receivables	12	8,257	8,134
Bank and cash balances		79,118	66,952
Current tax assets		928	928
		149,504	151,776
Current liabilities			
Trade and bills payables	15	14,135	15,867
Accruals, other payables and deposits received		7,830	8,015
Current tax liabilities		106	106
		22,071	23,988
Net current assets		127,433	127,788
Total assets less current liabilities		158,603	160,498
Non-current liabilities			
Deferred tax liabilities		10	10
NET ASSETS		158,593	160,488
Capital and reserves			
Share capital	16	4,002	4,002
Reserves		154,591	156,486
TOTAL EQUITY		158,593	160,488

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012 (Audited)	59,296	299,181	38,900	(834,606)	(437,229)
Total comprehensive expenses for the period (Unaudited)	–	–	–	(952)	(952)
At 30 June 2012 (Unaudited)	59,296	299,181	38,900	(835,558)	(438,181)
At 1 January 2013 (Audited)	4,002	211,005	–	(54,519)	160,488
Total comprehensive expense for the period (Unaudited)	–	–	–	(1,895)	(1,895)
At 30 June 2013 (Unaudited)	4,002	211,005	–	(56,414)	158,593

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 generated from operating activities	12,167	1,505
Net cash used in investing activities	(1)	(5,024)
Net cash used in financing activities	–	(423)
Net increase/(decrease) in cash and cash equivalents	12,166	(3,942)
Cash and cash equivalents at beginning of period	66,952	36,186
Cash and cash equivalents at end of period	79,118	32,244
Analysis of cash and cash equivalents		
Bank and cash balances	79,118	32,244

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of 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 financial statements for the year ended 31 December 2012. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012.

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the processing and trading of food products mainly including frozen and functional food products.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis.

Change in presentation currency

The Company and the Group changed their presentation currency from Renminbi to Hong Kong dollars at the time of preparation of the annual report for the year ended 31 December 2012 because the Directors consider that choosing Hong Kong dollars as the presentation currency best suits the needs of the shareholders and investors. Accordingly, the comparative figures of these unaudited condensed consolidated interim financial statements had been changed and presented in Hong Kong dollars.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

3. TURNOVER

Turnover represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts during the period.

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Sales of goods	254,171	347,623

4. OTHER INCOME

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Food processing income	–	5,819
Commission income	689	326
Storage fee income	965	455
Interest income	72	46
Net exchange gain	41	523
Sundry income	64	8
	1,831	7,177

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

5. SEGMENT INFORMATION

The Group has one reportable operating segment named “Frozen and functional food products” which refers to the processing and trading of food products mainly including frozen and functional food products.

Information about reportable segment profit or loss and assets is as follows:

	Frozen and functional food products	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from external customers	254,171	347,623
Segment (loss)/profit	(1,255)	8,178
	As at	As at
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets	173,417	178,388

Reconciliation of reportable segment profit or loss is as follow:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Segment (loss)/profit	(1,255)	8,178
Unallocated amounts:		
Unallocated corporate income and expenses	(640)	(439)
Restructuring costs	–	(2,763)
Finance costs arising from bank borrowings	–	(4,591)
Consolidated (loss)/profit before tax	(1,895)	385

6. RESTRUCTURING COSTS

The Group did not incur any restructuring costs for the six months ended 30 June 2013. Restructuring costs for the six months ended 30 June 2012 mainly included the legal fees, fee to the financial advisor and the then provisional liquidators and other professional fees for implementing the proposed restructuring of the Group. Such expenses were financed by Groupwill Holdings Limited (the “Investor” and now the “Controlling Shareholder”) and non-recurring in nature.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

7. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within 1 year or on demand	–	4,591
Other borrowing wholly repayable within 1 year	–	208
	–	4,799

8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cost of inventories sold	247,537	338,846
Depreciation	41	39
Net exchange gain	(41)	(523)
Other operating lease charges on Management Rights Agreement (Note 12)	1,500	1,500
Operating lease charges on land and buildings	430	441

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current tax – Hong Kong Profits Tax provided for the period	–	1,337

No provision for taxation for the period has been made since the Group has incurred a loss for the period ended 30 June 2013. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2012.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

10. INTERIM DIVIDEND

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

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$1,895,000 (2012: approximately HK\$952,000) and the weighted average number of approximately 400,246,000 ordinary shares (2012: approximately 14,824,000 ordinary shares) in issue during the period.

Diluted loss per share

Diluted loss per share attributable to owners of the Company for both periods are the same as the respective basic loss per share as the Company did not have any dilutive potential ordinary shares during both periods.

12. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets		
Prepayment and deposits for the Management Rights Agreement (Note)	24,875	26,375
Current assets		
Prepayment and deposits for the Management Rights Agreement (Note)	3,000	3,000
Advance to suppliers	4,998	4,327
Rental and other deposits	259	807
	8,257	8,134

Note: On 5 October 2010, Pacific Prosper Limited ("Pacific Prosper"), an indirect wholly-owned subsidiary of the Company, entered into an operating lease agreement (the "Management Rights Agreement") with an independent third party. According to the terms of the Management Rights Agreement, the independent third party who owns a food processing plant in Jiangmen, the People's Republic of China will provide food processing service for the Group with a total rental for a five-year period and security deposit of HK\$15,000,000 and HK\$20,000,000 respectively. In November 2010, HK\$3,500,000 was paid and the balance of HK\$31,500,000 was paid in February 2011.

The operating lease commenced since mid-February 2011 and HK\$1,500,000 was charged to profit or loss of the Group for the six months ended 30 June 2013 (HK\$1,500,000 was charged to profit or loss of the Group for the six months ended 30 June 2012). The Group had remaining balances of rental prepayment and security deposit of HK\$7,875,000 (31 December 2012: HK\$9,375,000) and HK\$20,000,000 (31 December 2012: HK\$20,000,000) as at 30 June 2013, in which HK\$3,000,000 (31 December 2012: HK\$3,000,000) of the rental prepayment was classified as a current asset and the remaining rental prepayment of HK\$4,875,000 (31 December 2012: HK\$6,375,000) and the security deposit of HK\$20,000,000 (31 December 2012: HK\$20,000,000) are classified as non-current assets at the end of the reporting period.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

13. INVENTORIES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Merchandises	3,895	3,444

14. TRADE RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 1 month	6,301	19,216
More than 1 month but within 3 months	10,043	23,619
More than 3 months but within 6 months	19,284	12,522
More than 6 months but within 1 year	13,530	8,594
More than 1 year	8,148	8,367
	57,306	72,318

15. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 1 month	3,474	4,694
More than 1 month but within 3 months	5,981	8,702
More than 3 months but within 6 months	1,493	2,129
More than 6 months but within 1 year	2,846	–
More than 1 year	341	342
	14,135	15,867

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

16. SHARE CAPITAL

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Authorised: 800,000,000 ordinary shares of HK\$0.01 each	8,000	8,000
Issued and fully paid: 400,246,274 ordinary shares of HK\$0.01 each	4,002	4,002

17. COMMITMENTS

Operating lease commitments

At the end of the reporting period, the Group had the total future 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 1 year	674	824
After 1 year but within 5 years	252	543
	926	1,367

The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

18. CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liabilities of the Group as at 30 June 2013 (31 December 2012: Nil).

19. PLEDGE OF ASSETS

The Group did not have any pledge of assets as at 30 June 2013 (31 December 2012: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

20. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Short-term employee benefits	2,361	754
Post-employment benefits	28	25
	2,389	779

21. APPROVAL OF CONDENSED CONSOLIDATION INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 29 August 2013.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2013, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long positions in the ordinary shares/underlying shares of the Company:

Name of Director	Type of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Huang Kunyan	Controlled corporation	300,182,154 (Note)	74.99%

Note: These shares are held by Groupwill Holdings Limited ("Groupwill"), a company incorporated in the British Virgin Islands ("BVI"). Mr. Huang Kunyan beneficially owns 100% of the entire issued share capital of Groupwill.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests or short position 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, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SHARE OPTION SCHEME

Pursuant to the ordinary resolution passed in the special general meeting held on 27 June 2013, a new share option scheme had been adopted and the previous share option scheme adopted in June 2004 was terminated. Further details of the new share option scheme were disclosed in the Company's circular dated 11 June 2013.

During the period under review, no options were granted, cancelled or lapsed. As at 30 June 2013, no option under the share option scheme remained outstanding.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the headings "Share Option Scheme" and "Directors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, to the best knowledge of the Board, at no time during the period there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2013, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following person was interested (including short positions) in the shares or underlying shares of the Company:

Long positions in the ordinary shares/underlying shares of the Company:

Name of shareholder	Type of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Groupwill (Note)	Beneficial owner	300,182,154	74.99%

Note: Groupwill is an investment holding company incorporated in the BVI and its entire issued share capital is beneficially owned by Mr. Huang Kunyan, an executive Director of the Company.

Save as disclosed above, as at 30 June 2013, no person, other than the Directors, whose interests are set out in the section "Directors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this interim report.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of its shareholders.

The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for certain deviations which are summarized below:

- Code Provision A.4.1

Code provision A.4.1 of the CG Code requires the non-executive Directors should be appointed for a specific term, subject to re-election. The Company has one non-executive Director and three independent non-executive Directors. All of them are not appointed for a specific term, but subject to re-election in accordance with the Bye-laws of the Company.

- Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend the general meetings. A non-executive Director and an independent non-executive Director were unable to attend the annual general meeting and special general meeting of the Company held on 27 June 2013 due to their other important engagements.

Other Information

- Code Provision E.1.2

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 27 June 2013 due to his other important engagement.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the CG Code, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors of the Company. The Group's unaudited condensed consolidated interim statements for the six months ended 30 June 2013 have been reviewed and approved by the audit committee.

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 to all Directors, they have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2013.

On behalf of the Board

Huang Kunyan

Chairman

Hong Kong, 29 August 2013