

Tech Pro Technology Development Limited
德普科技發展有限公司
(incorporated in the Cayman Islands with limited liability)
Stock code : 03823



2014 INTERIM REPORT

LEDUS



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CONTENTS

Corporate Information	2
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9
Management Discussion and Analysis	36
Further Information	42

CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Li Wing Sang (*Chairman of the board*)
Mr. Liu Xinsheng
Mr. Chiu Chi Hong

Independent non-executive directors

Mr. Tam Tak Wah
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

AUDIT COMMITTEE

Mr. Tam Tak Wah (*Chairman of the committee*)
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

REMUNERATION COMMITTEE

Mr. Tam Tak Wah (*Chairman of the committee*)
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

NOMINATION COMMITTEE

Mr. Li Wing Sang (*Chairman of the committee*)
Mr. Ng Wai Hung
Mr. Lau Wan Cheung

AUTHORISED REPRESENTATIVES

Mr. Liu Xinsheng
Ms. Lee On Wing

COMPANY SECRETARY

Ms. Lee On Wing

AUDITOR

Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Condan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Unit 1402, 14/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

COMPANY WEBSITE

<http://www.techprotd.com>

STOCK CODE

03823

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited) (restated)
Continuing operations			
Turnover and revenue	5	79,350	66,765
Cost of sales		(58,973)	(41,515)
Gross profit		20,377	25,250
Other revenue and income	6	2,743	2,704
Distribution costs		(6,168)	(3,989)
Administrative expenses		(17,128)	(15,311)
Impairment loss on goodwill	13	(41,193)	–
Amortisation of other intangible assets		(35,661)	(35,661)
Loss on early redemption of promissory notes		–	(1,875)
Fair value gain/(loss) on embedded derivatives of unlisted bonds	17	2,178	(477)
Fair value loss on embedded derivatives of convertible notes	18	(9,685)	–
Finance costs	7(a)	(8,577)	(4,939)
Share of profits of a joint venture		2,547	–
Loss before taxation	7	(90,567)	(34,298)
Income tax credit	8	7,232	3,196
Loss for the period from continuing operations		(83,335)	(31,102)
Discontinued operations			
Loss for the period from discontinued operations	9	–	(6,808)
Loss for the period		(83,335)	(37,910)
Loss attributable to:			
Equity shareholders of the Company		(76,964)	(32,366)
Non-controlling interests		(6,371)	(5,544)
		(83,335)	(37,910)
Loss attributable to equity shareholders of the Company arises from:			
Continuing operations		(76,964)	(25,558)
Discontinued operations		–	(6,808)
		(76,964)	(32,366)
Loss per share (RMB)	10		
From continuing operations and discontinued operations			
– Basic and diluted		(6.45 cents)	(3.00 cents)
From continuing operations			
– Basic and diluted		(6.45 cents)	(2.37 cents)
From discontinued operations			
– Basic and diluted		–	(0.63 cents)

The notes on pages 9 to 35 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Loss for the period	(83,335)	(37,910)
Other comprehensive income for the period		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences:		
– on translation of financial statements of foreign operations	3,410	(1,209)
– reclassification adjustment relating to disposal of subsidiaries	–	2,020
Total comprehensive loss for the period (net of tax)	(79,925)	(37,099)
Attributable to:		
Equity shareholders of the Company	(73,525)	(30,847)
Non-controlling interests	(6,400)	(6,252)
	(79,925)	(37,099)
Total comprehensive loss attributable to equity shareholders of the Company arises from:		
Continuing operations	(73,525)	(24,039)
Discontinued operations	–	(6,808)
	(73,525)	(30,847)

The notes on pages 9 to 35 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	63,710	56,835
Goodwill	13	134,389	175,582
Other intangible assets		551,583	587,244
Interest in a joint venture	14	338,732	–
		1,088,414	819,661
Current assets			
Inventories		24,243	22,532
Trade and bills receivables	15	115,587	116,335
Other receivables and prepayments		107,669	94,508
Convertible notes – embedded derivatives	18	22,039	–
Restricted bank deposits		12,477	12,170
Cash at banks and in hand		64,018	42,520
		346,033	288,065
Current liabilities			
Trade payable	16	31,209	24,965
Other payables and accruals		26,517	28,231
Amount due to a director	26(b)	585	571
Bank loans		7,138	3,324
Obligations under finance leases		339	352
Bonds payable	17	67,783	65,283
Income tax payable		21,300	25,181
		154,871	147,907
Net current assets		191,162	140,158
Total assets less current liabilities		1,279,576	959,819
Non-current liabilities			
Obligations under finance leases		600	738
Convertible notes – liability component	18	88,741	–
Deferred tax liabilities		140,061	148,995
		229,402	149,733
Net assets		1,050,174	810,086

The notes on pages 9 to 35 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	19	11,057	10,407
Reserves		874,540	628,702
		885,597	639,109
Non-controlling interests		164,577	170,977
Total equity		1,050,174	810,086

The notes on pages 9 to 35 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to equity shareholders of the Company											Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Warrant reserve RMB'000	Other reserve RMB'000	Convertible notes reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000			
As at 1 January 2013 (audited)	9,835	755,589	6,894	86,925	(716)	-	47,537	15,643	(3,381)	(174,958)	246,105	989,473	
Issue of new ordinary shares upon exercise of unlisted warrants	137	39,382	-	(10,448)	-	-	-	-	-	-	-	29,071	
Acquisition of additional interests in subsidiaries	-	-	-	-	12,344	-	-	-	-	-	(26,950)	(14,606)	
Reclassification adjustments upon disposal of subsidiaries	-	-	(6,894)	-	716	-	(47,537)	(15,643)	-	69,358	-	-	
Loss for the period	-	-	-	-	-	-	-	-	-	(32,366)	(5,544)	(37,910)	
Exchange differences:													
- on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	(501)	-	(708)	(1,209)	
- reclassification adjustment upon disposal of subsidiaries	-	-	-	-	-	-	-	-	2,020	-	-	2,020	
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	1,519	(32,366)	(6,252)	(37,099)	
As at 30 June 2013 (unaudited)	9,972	794,971	-	76,477	12,344	-	-	-	(1,862)	(137,966)	212,903	966,839	
As at 1 January 2014 (audited)	10,407	927,204	-	41,691	12,344	-	-	-	(1,409)	(351,128)	170,977	810,086	
Issue of unlisted warrants	-	-	-	12,042	-	-	-	-	-	-	-	12,042	
Equity component of convertible notes	-	-	-	-	-	118,459	-	-	-	-	-	118,459	
Issue of new ordinary shares:													
- upon exercise of unlisted warrants	224	62,993	-	(7,191)	-	-	-	-	-	-	-	56,026	
- upon conversion of convertible notes	158	65,348	-	-	-	(36,292)	-	-	-	-	-	29,214	
- upon acquisition of a joint venture	268	104,004	-	-	-	-	-	-	-	-	-	104,272	
Lapse of unlisted warrants	-	-	-	(2,213)	-	-	-	-	-	2,213	-	-	
Loss for the period	-	-	-	-	-	-	-	-	-	(76,964)	(6,371)	(83,335)	
Exchange differences:													
- on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	3,439	-	(29)	3,410	
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	3,439	(76,964)	(6,400)	(79,925)	
As at 30 June 2014 (unaudited)	11,057	1,159,549	-	44,329	12,344	82,167	-	-	2,030	(425,879)	164,577	1,050,174	

The notes on pages 9 to 35 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities	(10,245)	156,474
Net cash used in investing activities	(12,134)	(24,639)
Net cash generated from/(used in) financing activities	39,852	(172,981)
Net increase/(decrease) in cash and cash equivalents	17,473	(41,146)
Cash and cash equivalents at 1 January	42,520	65,116
Effect of foreign exchange rate changes	4,025	(2,773)
Cash and cash equivalents at 30 June	64,018	21,197

The notes on pages 9 to 35 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION

Tech Pro Technology Development Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its principal place of business is located at Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing services.

These unaudited condensed consolidated interim financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand. Renminbi is the functional and presentation currency of the Group.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2013 and these condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performances of the Group since the annual financial statements for the year ended 31 December 2013. The condensed consolidated interim financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with HKFRSs.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimated uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company’s principal place of business. The auditor has expressed an unqualified opinion on those financial statements in its report dated 31 March 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied the following new or revised HKFRSs ("new HKFRSs") which are effective for the current period.

HKFRS 10, HKFRS12 and HKAS 27 (2011) Amendments	Investment Entities
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the new HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period and has had no impact on these condensed consolidated interim financial statements.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

There have been no changes in the risk management policies since last year end.

(b) Fair values

(i) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2014 and 31 December 2013:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
As at 30 June 2014 (unaudited)			
Assets			
– Extension and redemption option embedded in convertible notes (Note 18)	–	–	22,039
Liabilities			
– Put and call option embedded in unlisted bonds (Note 17)	–	–	(10,668)
As at 31 December 2013 (audited)			
Assets			
– Extension and redemption option embedded in convertible notes (Note 18)	–	–	–
Liabilities			
– Put and call option embedded in unlisted bonds (Note 17)	–	–	(12,846)

During the six months ended 30 June 2014 and year ended 31 December 2013, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of instruments in Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about instruments in Level 3 fair value measurement

	Extension and redemption option embedded in convertible notes	Put and call option embedded in unlisted bonds
Valuation technique	Trinomial tree and partial differential equation method	Discounted cash flow approach
Significant unobservable input	Discount rate	Discount rate
Range	12.2%	13.73% – 14.39%
Significant unobservable input	Volatility	–
Range	52.35%	–

The fair value of extension and redemption option embedded in convertible notes is determined using the trinomial tree and partial differential equation method. As at 30 June 2014, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would not have any significant increased/decreased the Group's loss for the six months ended 30 June 2014.

The fair values of put and call options embedded in unlisted bonds are determined using the discounted cash flows approach associated with interest rate model. The fair value measurement is negatively correlated to the discount rate. As at 30 June 2014, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would not have any significant increased/decreased the Group's loss for the six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

Information about instruments in Level 3 fair value measurement (Continued)

The movement in fair value measurement of Level 3 during the six months ended 30 June 2014 and year ended 31 December 2013 are as follows:

	2014 RMB'000 (unaudited)	2013 RMB'000 (audited)
Extension and redemption options embedded in convertible notes		
At the issuance date	39,833	–
Conversion to ordinary shares	(8,566)	
Change in fair value recognised in profit or loss	(9,685)	–
Exchange adjustments	457	
As at 30 June 2014	22,039	
As at 31 December 2013		–

	2014 RMB'000 (unaudited)	2013 RMB'000 (audited)
Put and call options embedded in unlisted bonds		
As at 1 January	(12,846)	(9,304)
Change in fair value recognised in profit or loss	2,178	(3,542)
As at 30 June 2014	(10,668)	
As at 31 December 2013		(12,846)

The valuation reports with analysis of changes in fair value measurement is prepared by Peak Vision Appraisal Limited (“Peak Vision”), a firm of independent professional valuer at each interim and annual reporting date, and are reviewed and approved by the management of the Company. Discussion of the valuation process and results with the directors and audit committee of the Company is held twice a year, to coincide with the reporting dates.

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost are not materially different from their fair value as at 30 June 2014 and 31 December 2013.

5. TURNOVER AND REVENUE AND SEGMENT REPORTING

(a) Turnover and revenue

The Group is principally engaged in the manufacturing and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TURNOVER AND REVENUE AND SEGMENT REPORTING (Continued)

(a) Turnover and revenue (Continued)

Turnover represents the net invoiced value of goods supplied to customers less returns and allowance and service income from energy efficiency projects. Provision of property sub-leasing services is operated by a joint venture. The amount of each significant category of revenue recognised in turnover during the six months ended 30 June 2014 and 2013 is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Manufacturing and sale of LED lighting products and accessories	77,153	54,762
Commission income from distribution of LED lighting products	–	11,948
Service income from energy efficiency projects	2,197	55
	79,350	66,765

On 1 October 2013, two subsidiaries of the Company and independent third party distributors entered into the agency agreements. Pursuant to the agency agreements, the independent third party distributors acted as principals and two subsidiaries of the Company were appointed as agents to perform the agency services in relation to contracts for the purchase of LED lighting products made on behalf of the principals, or introduced by the agents, and the principals shall assume all liabilities and obligations arising from the purchase contracts incurred by the Group on their behalf and the Group shall be fully indemnified for any loss, damages, liabilities and costs incurred in relation to the provision of the agency services in accordance with the agency agreements. The commission income received and receivable from each of the principals is determined at agreed rates as specified in the relevant agency agreements and upon the services rendered. As the agency agreements came into effect retrospectively since 1 January 2013, both of the turnover and cost of sales for the six months ended 30 June 2013 were reduced by RMB48,500,000 to conform to the presentation with the annual financial statements for the year ended 31 December 2013.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the senior management for the purposes of resources allocation and performance assessment, the Group has engaged in two reporting segments.

- LED lighting
- Provision of property sub-leasing services

The manufacturing and sale of LED lighting products and accessories segment and energy efficiency projects segment have been aggregated into one segment named as “LED lighting”. As the reported revenue, the absolute amount of the reported profit or loss and the total assets of the energy efficiency projects segment have not exceeded the quantitative thresholds, no separate operating segments have been presented.

Since the discontinuation of the manufacturing and sale of aluminum electrolytic capacitors operations during the six months ended 30 June 2013, the Group's senior management review the Group's results and total assets from the continuing operations as a whole, which represent LED lighting business and property sub-leasing services business, for resources allocation and performance assessment. Accordingly, no segment information regarding to the manufacturing and sale of aluminum electrolytic capacitors business was presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TURNOVER AND REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

“Adjusted EBITDA” is used as the one of the measures for the reportable segment profit or loss, which represents “earnings/(loss) before interest, tax, depreciation and amortisation”, where “interest” is regarded as investment income and finance costs and “depreciation” and “amortisation” are regarded as including impairment loss on non-current assets. This measurement basis excludes the effect of non-recurring expenditures from the operating segments, such as loss on early redemption of promissory notes, changes in fair values on embedded derivatives of unlisted bonds and convertible notes, loss/gain on disposal of property, plant and equipment and share of profits of a joint venture. To arrive at adjusted EBITDA, the Group’s earnings/(loss) are further adjusted for items not specifically attributed to individual segment, such as corporate administration costs.

Information regarding the Group’s reportable segments as provided to the senior management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 2013 is set out below:

Continuing operations

	Six months ended 30 June 2014		
	LED lighting RMB’000 (unaudited)	Property sub-leasing services RMB’000 (unaudited)	Total RMB’000 (unaudited)
Turnover	79,350	–	79,350
Other revenue	2,733	–	2,733
Inter-segment revenue	–	–	–
Reportable segment revenue from external customers	82,083	–	82,083
Reportable segment adjusted EBITDA	6,494	–	6,494
Reportable segment results	(77,978)	(10,976)	(88,954)
Other information:			
Interest expenses	(4,678)	(3,838)	(8,516)
Depreciation	(4,845)	–	(4,845)
Impairment loss on goodwill	(41,193)	–	(41,193)
Amortisation of other intangible assets	(35,661)	–	(35,661)
Fair value gain on embedded derivatives of unlisted bonds	2,178	–	2,178
Fair value loss on embedded derivatives of convertible notes	–	(9,685)	(9,685)
Loss on disposal of property, plant and equipment	(273)	–	(273)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TURNOVER AND REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

	As at 30 June 2014		
	LED lighting RMB'000 (unaudited)	Property sub-leasing services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment assets	1,058,468	360,771	1,419,239
Reportable segment liabilities	295,164	88,741	383,905

	Six months ended 30 June 2013		
	LED lighting RMB'000 (unaudited) (restated)	Property sub-leasing services RMB'000 (unaudited)	Total RMB'000 (unaudited) (restated)
Turnover	66,765	–	66,765
Other revenue	2,691	–	2,691
Inter-segment revenue	–	–	–
Reportable segment revenue from external customers	69,456	–	69,456
Reportable segment adjusted EBITDA	13,907	–	13,907
Reportable segment results	(32,284)	–	(32,284)
Other information:			
Interest expenses	(4,929)	–	(4,929)
Depreciation	(3,536)	–	(3,536)
Amortisation of other intangible assets	(35,661)	–	(35,661)
Loss on early redemption of promissory notes	(1,875)	–	(1,875)
Fair value loss on embedded derivatives of unlisted bonds	(477)	–	(477)
Gain on disposal of property, plant and equipment	287	–	287

	As at 31 December 2013		
	LED lighting RMB'000 (audited)	Property sub-leasing services RMB'000 (audited)	Total RMB'000 (audited)
Reportable segment assets	1,096,242	–	1,096,242
Reportable segment liabilities	297,069	–	297,069

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TURNOVER AND REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Continuing operations		
Reportable segment adjusted EBITDA	6,494	13,907
Interest expenses	(8,516)	(4,929)
Depreciation	(4,845)	(3,536)
Impairment loss on goodwill	(41,193)	–
Amortisation of other intangible assets	(35,661)	(35,661)
Loss on early redemption of promissory notes	–	(1,875)
Fair value gain/(loss) on embedded derivatives of unlisted bonds	2,178	(477)
Fair value loss on embedded derivatives of convertible notes	(9,685)	–
(Loss)/gain on disposal of property, plant and equipment	(273)	287
Share of profits of a joint venture	2,547	–
Reportable segment results	(88,954)	(32,284)
Interest income	10	13
Interest expenses	(61)	(10)
Unallocated corporate administration costs	(1,562)	(2,017)
Consolidated loss before taxation	(90,567)	(34,298)

6. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Continuing operations		
Other revenue		
Bank interest income	10	13
Rental income from property, plant and equipment	1,200	800
Scrap sale	993	1,080
Other income		
Gain on disposal of property, plant and equipment	–	287
Sundry income	540	524
	2,743	2,704

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
(a) Finance costs		
Interest on bank loans wholly repayable within 5 years	40	–
Imputed interest on promissory notes	–	454
Effective interest on unlisted bonds	4,678	4,475
Imputed interest on convertible notes	3,838	–
Finance charges on obligations under finance leases	21	10
	8,577	4,939
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	13,079	10,144
Contributions to defined contribution retirement plans	694	470
	13,773	10,614
(c) Others		
Amortisation of other intangible assets	35,661	35,661
Auditor's remuneration		
Audit services	399	–
Non-audit services	–	167
Cost of inventories sold	58,973	41,515
Depreciation	4,845	3,536
Impairment loss on goodwill	41,193	–
Loss on disposal of property, plant and equipment	273	–
Operating lease rentals in respect of land and buildings	3,361	2,988
Research and development expenditure	241	204

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. INCOME TAX

Income tax credit in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Continuing operations		
Hong Kong Profits Tax		
– Current period	77	3,505
PRC Enterprise Income Tax		
– Current period	1,625	2,233
Deferred tax		
– Reversal of deferred tax liabilities	(8,934)	(8,934)
	(7,232)	(3,196)

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (b) The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2013: 16.5%) of the estimated assessable profits for the period.
- (c) Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to enterprise income tax at rate of 25% (six months ended 30 June 2013: 25%).
- (d) Income tax expense is recognised based on management’s estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate for the year ending 31 December 2014 are 16.5% and 25% for Hong Kong Profits Tax and PRC Enterprise Income Tax respectively.

9. LOSS FROM DISCONTINUED OPERATIONS

On 17 June 2013, the Group completed the disposal of the entire interest in Huawei Group Holdings Limited and its subsidiaries (the “Huawei Group”) to a former executive director, Mr. Yan Qixu for a cash consideration of HK\$120,000,000 (equivalent to approximately RMB94,752,000), resulting in a gain on disposal of subsidiaries of RMB13,990,000. The Huawei Group was engaged in the manufacturing and sale of aluminum electrolytic capacitors and accounted for a separate operating segment of the Group.

The loss for the six months ended 30 June 2013 from the discontinued operations is analysed as follows:

	Six months ended 30 June 2013 RMB'000 (unaudited)
Net loss for the period from discontinued operations	(20,798)
Gain on disposal of subsidiaries (Note 22)	13,990
	(6,808)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

9. LOSS FROM DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the six months ended 30 June 2013 are presented as follows:

	Six months ended 30 June 2013 RMB'000 (unaudited)
Turnover	152,504
Cost of sales	(143,675)
Gross profit	8,829
Other revenue and income	1,547
Distribution costs	(3,374)
Administrative expenses	(16,060)
Allowance for impairment on trade receivables, net	(737)
Write-down of inventories	(19)
Finance costs	(10,691)
Loss before taxation	(20,505)
Income tax expenses	(293)
Net loss for the period	(20,798)
Loss before taxation for the period from discontinued operations:	
Amortisation of lease prepayments	42
Depreciation	10,594

Analysis of the cash flows of the discontinued operations:

	Six months ended 30 June 2013 RMB'000 (unaudited)
Net cash inflow from operating activities	116,618
Net cash outflow from investing activities	(4,987)
Net cash outflow from financing activities	(109,810)
Net cash inflow	1,821

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2014, calculated as follows:

Loss attributable to equity shareholders of the Company

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
From continuing operations	76,964	25,558
From discontinued operations	–	6,808
	76,964	32,366

Weighted average number of ordinary shares

	2014 (unaudited)	2013 (unaudited)
Weighted average number of ordinary shares in issue as at 30 June	1,193,515,654	1,079,464,133

(b) Diluted loss per share

The computation of diluted loss per share does not assume the exercise and conversion of the Company's outstanding unlisted warrants and convertible notes respectively as their exercise would result in a decrease in loss per share. Therefore, the diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2014 and 2013.

11. DIVIDENDS

The directors did not recommend payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB11,993,000 (six months ended 30 June 2013: RMB11,342,000) and disposed of items of property, plant and equipment with a carrying amount of RMB273,000 (six months ended 30 June 2013: RMB186,295,000 in which RMB185,632,000 was disposed from the disposal of certain subsidiaries). As at 30 June 2014, the carrying amount of property, plant and equipment held under finance lease of the Group was RMB3,045,000 (31 December 2013: RMB1,142,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. GOODWILL

	RMB'000
Costs	
As at 1 January 2013, 31 December 2013 (audited) and 30 June 2014 (unaudited)	372,627
Impairment	
As at 1 January 2013	–
Impairment loss recognised for the year	197,045
As at 31 December 2013 (audited) and 1 January 2014	197,045
Impairment loss recognised for the period	41,193
As at 30 June 2014 (unaudited)	238,238
Carrying amount	
As at 30 June 2014 (unaudited)	134,389
As at 31 December 2013 (audited)	175,582

The goodwill arising from the business combinations in 2011, which related to the acquisition of Giga-World Industry Company Limited and its subsidiary (collectively referred to as the “Giga-World Group”), Shine Link Technology Limited and its subsidiaries (collectively referred to as the “Shine Link Group”), Kings Honor Technology Limited and its subsidiaries (collectively referred to as the “Kings Honor Group”), Pacific King Technology Limited and its subsidiaries (collectively referred to as the “Pacific King Group”), Starry View Investments Limited and its subsidiaries (collectively referred to as the “Starry View Group”) and Mega Wide Investments Limited and its subsidiaries (collectively referred to as the “Mega Wide Group”), represented their respective workforce, expected future profitability and synergies with the existing LED lighting related businesses.

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to five cash generating units (“CGUs”) attribution by the above groups of subsidiaries which engaged in the manufacturing and sales of LED lighting products and accessories and energy efficiency projects.

During the six months ended 30 June 2014, the gross profit of the LED lighting business was reduced as compared to that of the corresponding period in 2013. Furthermore, the adjusted EBITDA, one of the measures for reportable segment results, of the LED lighting business for the six months ended 30 June 2014 decreased as compared to that of the corresponding period in 2013. The reduction in gross profit and adjusted EBITDA for the CGUs were mainly attributable to the following reasons: (i) selling prices of the LED lighting products have been decreasing as there was increasingly keen competition in the LED lighting industry; (ii) the costs of production such as the material costs, labour costs and utilities expenses kept on rising; and (iii) the increased cost of production and other direct costs cannot be fully shifted to the customers. Management expects that the selling prices of the LED lighting products would keep on decreasing as most of the LED lighting manufacturers would intend to capture more of their market share by reducing the selling prices of LED lighting products. The business in LED lighting has continued to operate on a satisfactory basis, but without achieving significant increase in market share, when comparing to the performance in previous years. In light of past performance, current keen market competition and the management’s expectations for the market development in the future, the directors of the Company have consequently determined to recognise impairment loss on goodwill directly related to the following CGUs amounting to RMB41,193,000 (year ended 31 December 2013: RMB197,045,000) in the profit or loss for the current period, based on the following impairment assessment conducted at the period end. No other write-down of the assets of the CGUs is considered necessary.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

Analysis of carrying amounts of goodwill allocated to the CGUs and impairment loss recognised during the period are as follows:

	As at 31 December 2013 RMB'000 (audited)	Impairment loss recognised RMB'000 (unaudited)	As at 30 June 2014 RMB'000 (unaudited)
Carrying amount			
Giga-World Group	53,925	18,082	35,843
Shine Link Group	61,856	23,111	38,745
Kings Honor Group	25,245	–	25,245
Pacific King Group	28,560	–	28,560
Starry View Group and Mega Wide Group	5,996	–	5,996
	175,582	41,193	134,389

The recoverable amounts of the CGUs are determined based on value-in-use calculations as of the end of the reporting period by Peak Vision, a firm of independent professional valuer. These calculations used cash flow projections based on the financial budgets approved by the management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.68% (year ended 31 December 2013: 2.68%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which CGU operates. The appraiser estimates the pre-tax discount rates as presented below, using the Capital Assets Pricing Model with reference to certain comparable companies listed on the Stock Exchanges, plus a risk premium to reflect the specific risk of the individual CGU. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

	Pre-tax discount rate (unaudited)	Growth rate beyond 5 years (unaudited)
Giga-World Group	19.97%	2.68%
Shine Link Group	25.69%	2.68%
Kings Honor Group	22.89%	2.68%
Pacific King Group	21.12%	2.68%
Starry View Group	20.50%	2.68%
Mega Wide Group	28.32%	2.68%

As at 30 June 2014, the recoverable amounts of these CGUs are lower than their carrying amounts with reference to the professional valuations performed by Peak Vision. Accordingly, impairment loss on goodwill of RMB41,193,000 (year ended 31 December 2013: RMB197,045,000) has been recognised at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. INTEREST IN A JOINT VENTURE

	As at 30 June 2014 RMB'000 (unaudited)
Interest in a joint venture	338,732

Details of the Group's acquisition of a joint venture during the six months ended 30 June 2014 are disclosed in Note 20.

15. TRADE AND BILLS RECEIVABLES

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Trade receivable	109,381	111,883
Less: Allowance for doubtful debts	(153)	(153)
	109,228	111,730
Bills receivable	6,359	4,605
	115,587	116,335

All of the trade and bills receivables are expected to be recovered within one year.

The Group normally grants a credit period of 90 to 365 days to its customers. For certain well-established customers who have strong financial strength, good repayment history and creditworthiness, the Group extends their credit period beyond 180 days. Each customer of the Group has a maximum credit limit. Customers with balances that are exceeding their credit period are requested to settle all outstanding balance before any further credit is granted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. TRADE AND BILLS RECEIVABLES (Continued)

Aging analysis of trade and bills receivables based on the invoice date at the end of the reporting period was as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
0–30 days	24,206	26,194
31–90 days	22,242	34,016
91–180 days	15,387	33,838
181–365 days	42,682	9,801
Over 365 days	11,223	12,639
	115,740	116,488
Less: Allowance for doubtful debts	(153)	(153)
	115,587	116,335

16. TRADE PAYABLE

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Trade payable	31,209	24,965

All of the trade payable is expected to be settled within one year.

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

Aging analysis of trade payable based on the invoice date were as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
0–30 days	15,534	8,603
31–90 days	9,002	10,190
91–365 days	4,700	4,192
Over 365 days	1,973	1,980
	31,209	24,965

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. BONDS PAYABLE

The unlisted bonds with principal amount of RMB72,000,000, which were issued on 7 December 2012 as part of the consideration for the extinguishment of convertible notes, are unsecured, bearing interest at the rate of coupon 8% per annum payable annually and will mature on 6 December 2017. The unlisted bonds are carried at amortised cost using the effective interest rate at 18.68% per annum.

The bondholder is granted with a put option ("Put Option"), upon serving a written notice by the bondholder to the Company to exercise the Put Option in accordance with the unlisted bond instrument, to require the Company to redeem the unlisted bonds in whole or in part at the principal amount, together with any accrued and unpaid interest in cash. The Put Option notice shall only be exercised by the bondholder at the date on the 24th or 36th or 48th calendar month of the issue date as stipulated in the unlisted bond instrument. In accordance with the unlisted bond instrument, the Company has a call option ("Call Option") to redeem the unlisted bonds in whole or in part at the principal amount, together with any accrued and unpaid interest thereon, at the date on the 24th or 36th or 48th calendar month of the issue date. Put Option and Call Option are not closely related to the host liability and is measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss. In the opinion of the directors of the Company, based on the professional valuation conducted by Peak Vision, the fair value of the Put Option (as a derivative financial liability at fair value through profit or loss) less Call Option (as a derivative financial asset at fair value through profit or loss), amounted to RMB10,668,000 as at 30 June 2014 (31 December 2013: RMB12,846,000).

The movement of the embedded derivatives and liability component of the unlisted bonds during the six months ended 30 June 2014 are set out below:

	Embedded derivatives at fair value through profit or loss RMB'000	Liability component at amortised cost RMB'000	Total RMB'000
As at 31 December 2012 (audited) and 1 January 2013	9,304	49,039	58,343
Interest charged to profit or loss	–	9,158	9,158
Coupon interest paid	–	(5,760)	(5,760)
Change in fair value	3,542	–	3,542
As at 31 December 2013 (audited) and 1 January 2014	12,846	52,437	65,283
Interest charged to profit or loss	–	4,678	4,678
Change in fair value	(2,178)	–	(2,178)
As at 30 June 2014 (unaudited)	10,668	57,115	67,783

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. CONVERTIBLE NOTES

On 24 March 2014, the Company issued HK\$270,000,000 unsecured, interest-free convertible notes with a principal amount of HK\$270,000,000 as part of the consideration for the acquisition of 50% equity interest in Shanghai Fuchao Property Management Company Limited (formerly known as Shanghai Fuchao Investment Company Limited (“Fuchao”). The convertible notes are convertible at the option of the note holder into ordinary shares of the Company on or before 24 March 2019 (subject to the Extension Option and Redemption Option as detailed below) at a conversion price of HK\$4.136 per share (subject to anti-dilution adjustments).

The Company has the sole discretion to extend the maturity date for another five years to 24 March 2024, upon serving a notice to the note holder, at any time during the 3 months prior to the 24 March 2019 (“Extension Option”) and redeem the convertible notes in whole or in part at the principal amount before the maturity date (“Redemption Option”). If the convertible right is not exercised by the note holder, the convertible notes will be redeemed on the maturity date at the principal amount on that date.

On the issuance of the convertible notes, the fair values of the convertible notes, the liability component, Extension Option and Redemption Option of the convertible notes were individually measured by Peak Vision, an independent firm of professional valuer. The fair value of the liability component of the convertible notes was measured by using an equivalent market interest rate for similar notes without a conversion option. Since the Extension Option and Redemption Option are not closely related to the host liability, they were disclosed as derivative financial assets at fair value through profit or loss. The residual amount of convertible notes, after deducting the liability component, Extension Option and Redemption Option, was assigned as the equity component and was included in shareholders’ equity.

Subsequently, the liability component is carried at amortised cost using the effective interest rate at 11.94% per annum. Since the Extension Option and Redemption Option are derivative financial assets at fair value through profit or loss, they are measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss. On 30 June 2014, the fair value of the derivative financial assets at fair value through profit or loss was measured by Peak Vision, an independent firm of professional valuer.

During the six months ended 30 June 2014, upon the conversion of convertible notes of HK\$82,720,000 (equivalent to approximately RMB65,506,000) at a conversion price of HK\$4.136 per share into the ordinary shares of the Company, the relevant fair value of the derivative financial assets which was measured by Peak Vision, an independent firm of professional valuer, together with the carrying amount of the liability component, were transferred to the share capital and share premium as a consideration for the ordinary shares issued.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. CONVERTIBLE NOTES (Continued)

The convertible notes issued during the period have been split into the liability component, embedded derivatives and equity component as follows:

	Embedded derivatives at fair value through profit or loss – Extension Option	Embedded derivatives at fair value through profit or loss – Redemption Option	Liability component at amortised cost	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Fair value of convertible notes				(200,237)
Equity component				118,459
Embedded derivatives and liability component				
at the issuance date	12,597	27,236	(121,611)	(81,778)
Conversion to ordinary shares	(1,477)	(7,089)	38,747	30,181
Interest charged to profit or loss	–	–	(3,838)	(3,838)
Change in fair value	(11,230)	1,545	–	(9,685)
Exchange adjustments	110	347	(2,039)	(1,582)
As at 30 June 2014	–	22,039	(88,741)	(66,702)
Representing:				
Non-current assets	–	–	–	–
Current assets	–	22,039	–	22,039
Non-current liabilities	–	–	(88,741)	(88,741)
	–	22,039	(88,741)	(66,702)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. SHARE CAPITAL

	Number of shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
As at 31 December 2013 and 30 June 2014	2,000,000,000	20,000

	Number of shares of HK\$0.01 each	Nominal value of ordinary shares	
		HK\$'000	RMB'000
Issued and fully paid:			
As at 1 January 2013	1,075,678,000	10,757	9,835
Issue of new ordinary shares			
– upon exercise of unlisted warrants (Note a)	72,482,000	725	572
As at 31 December 2013 (audited) and 1 January 2014	1,148,160,000	11,482	10,407
Issue of new ordinary shares			
– upon exercise of unlisted warrants (Note a)	28,640,000	286	224
– upon conversion of convertible notes (Note b)	20,000,000	200	158
– upon acquisition of a joint venture (Note 20)	33,849,129	339	268
As at 30 June 2014 (unaudited)	1,230,649,129	12,307	11,057

Notes:

(a) Unlisted warrants

(i) Unlisted warrants issued on 16 June 2011

On 7 June 2011, the Company entered into a placing agreement with the placing agent which was an independent third party of, pursuant to which, the Company issued 40,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK\$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK\$0.01 each of the Company at an initial subscription price of HK\$1.82 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilised by the Group as its general working capital and to finance the proposed acquisitions of the LED lighting business.

During the six months ended 30 June 2013, 3,000,000 new ordinary shares of HK\$0.01 each of the Company were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK\$1.82 per share, representing a discount ranged from 37.46% to 37.88% to the closing market prices of the Company's shares on the respective issue dates. The proceeds used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 11 May 2011 and rank pari passu with the existing ordinary shares in issue in all respects. On 16 June 2013, all the remaining unexercised 1,000,000 unlisted warrants lapsed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. SHARE CAPITAL (Continued)

Notes: (Continued)

(a) Unlisted warrants (Continued)

(ii) *Unlisted warrants issued on 15 February 2012*

On 3 February 2012, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 140,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK\$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK\$0.01 each of the Company at an initial subscription price of HK\$2.65 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilised by the Group as its general working capital and as funds to reduce the liabilities of the Group.

During the six months ended 30 June 2014, 23,000,000 (year ended 31 December 2013: 30,000,000) new ordinary shares of HK\$0.01 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK\$2.65 per share, representing a discount of 33.75% (year ended 31 December 2013: ranged from 8.93% to 30.26%) to the closing market price of the Company's shares on the issue date. The proceeds were used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the general mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 19 August 2011 and rank pari passu with the existing ordinary shares in issue in all respects. On 15 February 2014, all the remaining unexercised 55,000,000 unlisted warrants lapsed.

(iii) *Tranche 1 Unlisted Warrants issued on 7 December 2012*

As referred to Note 17, on 7 December 2012, the Company issued 89 Tranche 1 Unlisted Warrants, as part of the consideration for the extinguishment of the then outstanding convertible notes, which entitle their holders to subscribe for a total of 29,666,637 ordinary shares of HK\$0.01 each of the Company at an initial subscription price of HK\$3.00 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments. The Tranche 1 Unlisted Warrants are exercisable at any time during the period commencing from 7 December 2013 to 6 December 2017.

During the six months ended 30 June 2014, no (year ended 31 December 2013: no) Tranche 1 Unlisted Warrant was exercised to subscribe for shares of the Company and there are 89 (31 December 2013: 89) Tranche 1 Unlisted Warrants outstanding at the end of the reporting period.

(iv) *Tranche 2 Unlisted Warrants issued on 7 December 2012*

As referred to Note 17, on 7 December 2012, the Company issued 88 Tranche 2 Unlisted Warrants as part of the consideration for the extinguishment of the convertible notes, which entitle their holders to subscribe for a total of 45,128,248 ordinary shares of HK\$0.01 each of the Company at an initial subscription price of HK\$1.95 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments. The Tranche 2 Unlisted Warrant are exercisable at any time during the period commencing from 7 December 2012 to 6 December 2017.

During the six months ended 30 June 2014, 5,640,000 (year ended 31 December 2013: 39,482,000) new ordinary shares of HK\$0.01 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK\$1.95 per share, representing a discount ranged 47.86% to 48.00% (year ended 31 December 2013: 32.76% to 49.09%) to the closing market prices of the Company's shares on the respective issue dates. The proceeds were used to reduce the borrowings and to provide additional working capital for the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the specific mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 5 December 2012 and rank pari passu with the existing ordinary shares in issue in all respects. At 30 June 2014, there is no (31 December 2013: 11) outstanding of Tranche 2 Unlisted Warrants.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. SHARE CAPITAL (Continued)

Notes: (Continued)

(a) Unlisted warrants (Continued)

(v) *Unlisted warrants issued on 20 June 2014*

On 10 June 2014, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 100,000,000 unlisted warrants to individual, corporate and institutional investors at a subscription price of HK\$0.15 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK\$0.01 each of the Company at an initial subscription price of HK\$3.95 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The proceeds were utilised by the Group as its general working capital and to finance the operation of the Company such as to purchase materials for manufacturing LED lighting products.

During the six months ended 30 June 2014, no (year ended 31 December 2013: N/A) unlisted warrant was exercised to subscribe for shares of the Company and there are 100,000,000 (31 December 2013: N/A) unlisted warrants outstanding at the end of the reporting period.

In the opinion of the directors of the Company, based on the terms of the respective unlisted warrants instruments, the exercise option rights of the above unlisted warrants will result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument (i.e. ordinary shares of the Company) and therefore, the above unlisted warrants have been recognised in equity at the fair value of unlisted warrants at the issue date.

(b) Convertible notes

As referred to Note 18, on 24 March 2014, the Company issued HK\$270,000,000 unsecured, interest-free convertible notes as part of the consideration for the acquisition of 50% equity interest in Fuchao.

During the six months ended 30 June 2014, the note holders subscribed for 20,000,000 (year ended 31 December 2013: N/A) new ordinary shares of HK\$0.01 each upon the conversion of the convertible notes with an aggregated amount of HK\$82,720,000 (equivalent to approximately RMB65,506,000) at a conversion price of HK\$4.136 per share, representing a discount of 6.32% (year ended 31 December 2013: N/A) to the closing market price of the Company's shares on the issue date. The new ordinary shares were issued under the general mandate to the directors at the annual general meeting of the Company held on 23 May 2013 and rank pari passu with other ordinary shares were issued in all respects.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

20. ACQUISITION OF A JOINT VENTURE

On 24 March 2014, the Group completed the acquisition of 50% equity interest in Fuchao at an aggregated nominal consideration of HK\$450,000,000 which was satisfied by the payment of cash, issue of convertible notes and ordinary shares of the Company. The fair value of the consideration paid are detailed as below:

	HK\$'000 (unaudited)
Fair value of consideration:	
Cash paid	40,000
New ordinary shares issued (Note a)	131,673
Convertible notes issued (Note b)	252,857
	424,530
	RMB'000 (unaudited)
	336,185

Notes:

- (a) 33,849,129 new ordinary shares of HK\$0.01 each of the Company were issued and the fair value of these consideration shares amounted to HK\$131,673,000 (equivalent to approximately RMB104,272,000) based on the closing price of HK\$3.89 of the Company's shares at the date of completion on 24 March 2014.
- (b) HK\$270,000,000 convertible notes which are unsecured, interest-free and with maturity on 24 March 2019 were issued by the Company on 24 March 2014. The fair value of the convertible notes was HK\$252,857,000 (equivalent to approximately RMB200,237,000) determined by Peak Vision. Details of the convertible notes were shown in Note 18.

21. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the six months ended 30 June 2013, the Group acquired a further 10% equity interest in Giga-World Industry Company Limited, increasing its interest from 50% to 60% by acquiring the non-controlling interests for a consideration of HK\$20,000,000 which was satisfied by the issue of a promissory note at fair value of HK\$18,480,000. The difference of approximately RMB12,344,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest had been credited to other reserve.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. DISPOSAL OF SUBSIDIARIES

On 17 June 2013, the Group disposed of the entire interest in the Huawei Group based on the disposal agreement dated 23 April 2013.

(a) The net assets of the Huawei Group at the date of disposal were as follows:

	RMB'000 (unaudited)
Property, plant and equipment	185,632
Lease prepayments	3,717
Inventories	103,051
Trade and bills receivables, net	112,898
Other receivables and prepayments	86,147
Amounts due from a related company	34,227
Restricted bank deposits	129,004
Cash at banks and in hand	14,810
Bank loans	(272,685)
Trade and bills payables	(240,798)
Other payables and accruals	(66,418)
Amount due to a former director	(1,178)
Amount due to a related company	(9,228)
Amount due to a shareholder	(144)
Income tax payable	(293)
Net assets disposal of	78,742

(b) Gain on disposal of subsidiaries

	RMB'000 (unaudited)
Consideration received	94,752
Net assets disposed of	(78,742)
Exchange reserve realised upon disposal	(2,020)
Gain on disposal (Note 9)	13,990

The gain on disposal was included in the loss from discontinued operations for the six months ended 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. DISPOSAL OF SUBSIDIARIES (Continued)

(c) Net cash outflow arising from disposal of subsidiaries

	RMB'000 (unaudited)
Consideration	–
Less: Bank balances and cash disposal of	(14,810)
	(14,810)

On the date of completion, the Company and Mr. Yan had entered into the deed of set off to the effect that the loan from a former executive director, Mr. Yan Qixu, was applied to set off against the consideration for the disposal of the Huawei Group.

23. PLEDGED ASSETS

As at 30 June 2014, the restricted bank deposits amounted to RMB12,477,000 (31 December 2013: RMB12,170,000) were pledged to bank and government bodies to secure general banking facilities granted to and service contract engaged by the Group.

24. CAPITAL COMMITMENTS

As at 30 June 2014, the Group had following capital commitments in respect of the purchase of property, plant and equipment and other non-current assets as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Contracted but not provided for		
– Purchase of property, plant and equipment and other non-current assets	12,319	5,010
– Acquisition of equity interest in a joint venture	–	351,360
	12,319	356,370

25. CONTINGENT LIABILITIES

As at 30 June 2014, the Group had contingent liabilities of RMB7,741,000 (31 December 2013: RMB66,049,000) in respect of the outstanding obligations for purchase contracts made with suppliers on behalf of the independent third party principals under the relevant agency agreements made in last year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

26. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014, the directors of the Company are of the view that the following are related parties of the Group:

Name of the party	Relationship
Li Wing Sang	Executive director
Yan Qixu	Former executive director and director of former subsidiaries which are engaged in the manufacturing and sale of aluminum electrolytic capacitors which was disposed of during the six months ended 30 June 2013
Enercon Capacitor Company Limited	Mr. Guan Zhilong, a former director of Changzhou Dayou Electronic Company Limited which was disposed of during the year ended 31 December 2012, is the director and controlling shareholder
江蘇國瑞科技股份有限公司	Mr. Yan Qixu is the legal representative

(a) Trading transactions

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Sales to:		
Discontinued operations		
Enercon Capacitor Company Limited	-	5,218
Purchase from:		
Discontinued operations		
江蘇國瑞科技股份有限公司	-	7,326

The outstanding balances arising from the above trading transactions were included in the "Trade and bills receivables" and "Trade and bills payables" as disclosed under "Disposal of subsidiaries" in the Note 22.

Sale to or purchase from related companies were made in the ordinary course of business and at normal commercial terms at the Group's regular listed prices.

(b) Amount due to a director

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Li Wing Sang	585	571

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Loan from a former director

Loan from a former director of the Company, Mr. Yan Qixu, is unsecured, interest-free and repayable on 31 January 2014. On 31 December 2012, Mr. Yan Qixu has entered into a letter of undertaking with the Company such that Mr. Yan Qixu has agreed to further extend the repayment date from 31 January 2013 to 31 January 2014. On 17 June 2013, the loan from the former director was applied to set off the consideration for the disposal of Huawei Group as referred to Note 22.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees is as follows:

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Short-term employee benefits	1,964	1,697
Contributions to defined contribution retirement plans	31	12
	1,995	1,709

27. COMPARATIVE FIGURES

As a result of the agency agreements signed on 1 October 2013 which came into effect retrospectively since 1 January 2013, the turnover and cost of sales were restated to conform to the presentation with the financial statements for the year ended 31 December 2013. Further details of these restatements are disclosed in Note 5.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS OVERVIEW

For the six months ended 30 June 2014 (the “Period under Review”), the Group continued to focus on LED lighting business and moved forward in respect of products development, technology development and business development.

During the Period under Review, the installation of LED street lamps in the city of Jaen, Spain, the second tender which was awarded in 2013, is moving forward on schedule. The installation is expected to be completed in 2014. The products supplied are manufactured by the factories of the Group and are under its owned brand name “LEDUS”. The Group keeps on exploring the opportunities in the European public sector and work with other regional governments in Europe on energy efficiency projects.

In private sector and the retail markets, during the Period under Review, the Group kept on working with the large chain supermarkets and retails shops both in Hong Kong and oversea. As more resources have been put into the marketing activities such as TV advertisements and “LEDUS” LED products are sold in more retail shops, the Group expects “LEDUS” products can capture more market shares in the retail markets.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to raise the awareness and recognition of “LEDUS” brand name, the Group has kept on putting resources in the marketing and promotion activities. During the Period under Review, the Group participated in the “Light + Building 2014” lighting fair held in Frankfurt, Germany, the biggest lighting fair which holds once every two years. In the “Light + Building 2014” lighting fair, the Group has demonstrated the energy efficiency projects in Spain to the customers in Europe and many of them were impressed by the performance and results of those projects. The Group also joined the “Build 4 Asia” exhibition held in Hong Kong and “2014 Macao International Environmental Co-operation Forum & Exhibition” held in Macau and “LEDUS” new LED products were introduced in the exhibitions.

Furthermore, this was the second year of the Group joining the “Free Ride Day” which allowed everyone in Hong Kong to ride on trams and two Star Ferry routes free of charge on 29 May 2014. The Group also invited Ms. Maria Cordero, a famous artist in Hong Kong to be the attraction of the new TV advertisement in order to enhance the recognition “LEDUS” to the public.

During the Period under Review, the Group has completed the acquisition of 50% equity interest in Shanghai Fuchao Property Management Company Limited (formerly known as Shanghai Fuchao Investment Company Limited) (“Fuchao”). The Group always strives to achieve revenue growth and increase the value of the Company. The completion of the acquisition achieved the diversification of businesses and broadens the income source of the Group. In addition, it also provides a stable income stream from provision of property sub-leasing services.

BUSINESS OUTLOOK

As the energy efficiency projects in Spain have been started and the energy saving from using LED lighting products is remarkable, there are more cities showing their interests in the energy efficiency projects and looking for the feasibility of implementation of LED lighting products in public lighting system. The Group has noticed opportunities in expanding its market share in the energy efficiency market in Europe.

With the recognition of the brand name has increased, the Group strives to explore the retail markets in Hong Kong and oversea. “LEDUS” LED lighting products have been successfully entered into the chain supermarkets and chain retail shops in Hong Kong. The Group is also working with international chain stores in Europe and Japan in order to build up “LEDUS” as an international brand.



LEDUS booth and seminar in Build 4 Asia, Hong Kong



MANAGEMENT DISCUSSION AND ANALYSIS

With the completion of Fuchao, the Group will take it as a platform to enter into the PRC LED lighting market, both the retail and wholesale sectors. As the customer behaviors of the LED lighting market in the PRC is different from those in Europe, the Group will take a prudent and cautious manner in expanding its business in the PRC.

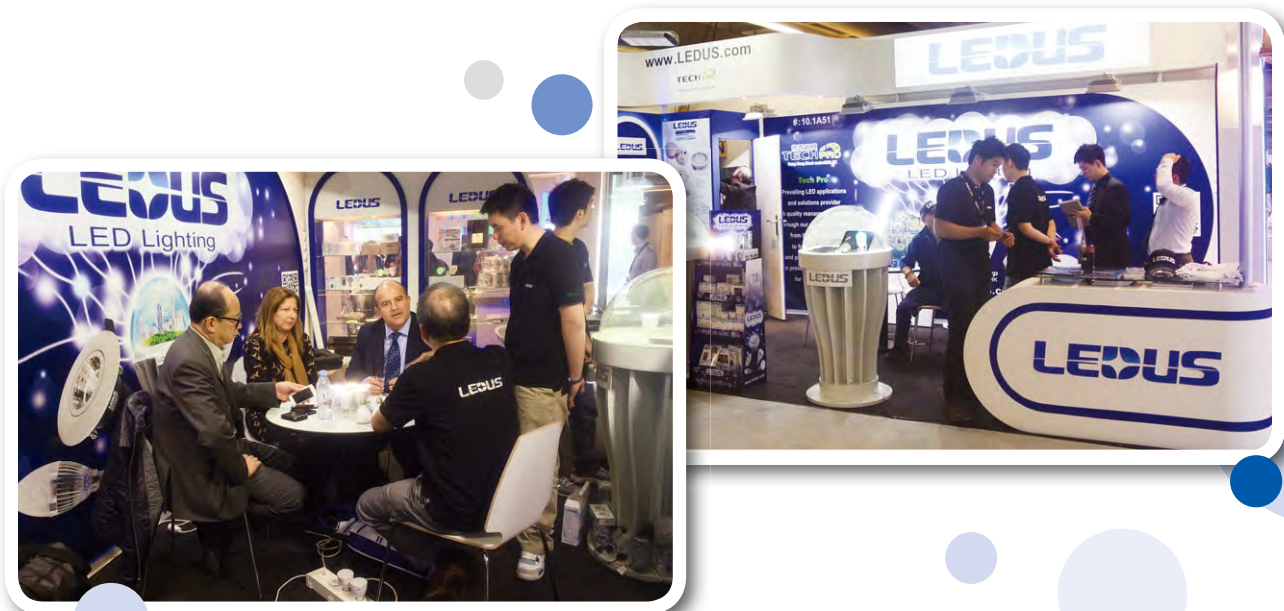
In order to enhance the competitiveness of the Group's products and differentiate the Group's products with our competitors, the Group will continue to improve its technology development, and also strives to lower the cost of production, improve the production efficiency and advance the product development.

The Group is cautiously optimistic about the prevailing prospects of the LED lighting business. Nevertheless, facing the uncertain global economic environment ahead and keen competition in the LED lighting industry, the Group will be prudent and cautions when developing the business. In addition, the Group has continued to seek for business opportunities with a view to improve the competitiveness of the Group. While keeping abreast with the core business, the Group will look for new investments, irrespective of whether they are in line with the principal businesses, in order to increase the value of the Company.

FINANCIAL REVIEW

The Group has operated in three principal business activities, the manufacturing and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing services, after the completion of the acquisition of Fuchao in March 2014. Since the Group acquired 50% equity interests in Fuchao which is treated as a joint venture, its financial results will be separately discussed under "Share of profits of a joint venture".

During the Period under Review, energy efficiency projects segment is still in the early stage of development, its turnover and financial results, as compared to the manufacturing and sale of LED lighting products and accessories, have only contributed an insignificant portion to the Group's total turnover and financial results. These two segments, manufacturing and sale of LED lighting products and accessories segment and energy efficiency projects segment, have been aggregated into one segment named "LED lighting" during the Period under Review.



LEDUS booth in Light + Building 2014, Frankfurt, Germany

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

During the Period under Review, the turnover of the Group was approximately RMB79.4 million which represents an increase of approximately RMB12.6 million as compared to the corresponding period of 2013.

The Group's turnover can be analysed as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000 (restated)
Manufacturing and sale of LED lighting products and accessories	77,153	54,762
Commission income from distribution of LED lighting products	–	11,948
Service income from energy efficiency projects	2,197	55
	79,350	66,765

Gross Profit Margin

The gross profit margin of manufacturing and sale of LED lighting products and accessories was approximately 23.6% for the Period under Review as compared to approximately 24.2% (restated) for that of the corresponding period in 2013, showing a decrease of approximately 2.5%. This was mainly attributed to the increase in the production costs and reduction in the selling price of the LED lighting products due to keen competition in the industry.

Adjusted EBITDA

Adjusted EBITDA is used as the measure for reportable segment profit or loss which represents the “earnings/(loss) before interest, tax, depreciation and amortisation”, where interest is regarded as investment income and finance costs and “depreciation and amortisation” are regarded as including impairment loss on non-current assets. This measurement basis excludes the effect of non-recurring expenditures from the operating segments, such as loss on early redemption of promissory notes, and changes in fair value on embedded derivatives of unlisted bonds and convertible notes, loss/gain on disposal of property, plant and equipment and share of profits of a joint venture.



Free Ride Day, Hong Kong



LEDUS booth in 2014 Macao International Environment Co-operation Forum & Exhibition, Macau

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted EBITDA of the LED lighting business of the Group for the Period under Review was approximately RMB6.5 million, a decrease of approximately RMB7.4 million as compared to approximately RMB13.9 million for that of the corresponding period in 2013. This was mainly due to the decrease in gross profit margin of manufacturing and sale of LED lighting products and accessories and increase in the distribution costs and administrative expenses.

Finance costs

For the Period under Review, finance costs of the Group were approximately RMB8.6 million, an increase of approximately RMB3.7 million as compared to approximately of RMB4.9 million for that of the corresponding period in 2013. This was mainly due to the increase of imputed interest expenses incurred from the convertible notes issued in 2014.

Share of profits of a joint venture

Share of profit of a joint venture was approximately RMB2.5 million for the Period under Review.

Dividends

At the meeting of the Board held on 20 August 2014, the directors of the Company did not recommend payment of an interim dividend for the Period under Review.

Liquidity and Financial Resources

As at 30 June 2014, the Group had current assets of approximately RMB346.0 million (31 December 2013: approximately RMB288.1 million) and current liabilities of approximately RMB154.9 million (31 December 2013: approximately RMB147.9 million). The current ratio of the Group as at 30 June 2014 was approximately 2.2 (31 December 2013: approximately 1.9) where an improvement in current ratio was recorded. The improvement is mainly due to the recognition of a derivative financial asset in convertible notes issued in 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB64.0 million (31 December 2013: approximately RMB42.5 million), wholly representing cash at banks and in hand. Total bank loans were approximately RMB7.1 million (31 December 2013: approximately RMB3.3 million), all of which were short term borrowings which were denominated in Hong Kong Dollars and were subject to variable interest rates. As at 30 June 2014, there were outstanding unlisted bonds of approximately RMB67.8 million (31 December 2013: approximately RMB65.3 million) which was denominated in Renminbi, convertible notes of approximately RMB66.7 million (31 December 2013: Nil) which was denominated in Hong Kong Dollars, and obligations under finance leases of approximately RMB0.9 million (31 December 2013: approximately RMB1.1 million) which was denominated in Hong Kong Dollars. The unlisted bonds are redeemable only at the date on the 24th month, 36th month, 48th month of the issue date and finally with the maturity on the 5th anniversary after the bonds issue date, namely 6 December 2017. The convertible notes will be matured on 24 March 2019 and the Company has the sole discretion to extend the maturity date for another five years to 24 March 2024. The obligations under finance leases are wholly repayable within 5 years.

As at 30 June 2014, the gearing ratio (calculated by dividing total borrowings less cash and cash equivalent over total equity) of the Group was approximately 7.5 (31 December 2013: approximately 3.4). The increase in gearing ratio as at 30 June 2014 was principally attributable to the issuance of convertible notes as part of the consideration for the acquisition of Fuchao.

Foreign Exchange Exposure

The Group's sales were principally made in Renminbi, Hong Kong Dollars and US Dollars, with the majority denominated in Renminbi. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during the Period under Review. However, in view of the continuing upward appreciation of Renminbi against Hong Kong Dollars and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

Capital Commitment

As at 30 June 2014, the capital commitments contracted but not provided for in respect of purchase of property, plant and equipment and other non-current assets were approximately RMB12.3 million (31 December 2013: approximately RMB5.0 million) and there was no outstanding capital commitments authorised but not provided for (31 December 2013: Nil).

Charge on Assets

As at 30 June 2014, the Group's restricted bank deposit of approximately RMB12.5 million (31 December 2013: approximately 12.2 million) was pledged to secure general banking facilities granted to and service contract engaged by the Group.

Contingent Liabilities

As at 30 June 2014, the Group had contingent liabilities of approximately RMB7.7 million (31 December 2013: approximately RMB66.0 million) in respect of the outstanding obligations in relation to purchase contracts made with suppliers on behalf of the independent third party principals under the relevant agency agreements made in last year.

Employee Information

As at 30 June 2014, the Group had approximately 500 employees and the majority of whom were stationed in the PRC. Total remuneration for the Period under Review amounted to approximately RMB13.8 million (six months ended 30 June 2013: approximately RMB10.6 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed on a performance related basis. Share options may also be granted to staff with reference to the individual's performance. Employees are encouraged to take training courses and seminars from time to time to enhance their knowledge and skills.

Material acquisitions and disposal of subsidiaries and associated companies

During the Period under Review, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

FURTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2014, the interests and short positions of the directors and chief executives of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Mr. Li Wing Sang	Beneficial owner	190,348,000 (Long position)	15.47%
	Beneficial owner	29,066,000 (Long position)	2.36%
Mr. Chiu Chi Hong	Beneficial owner	62,040,000 (Long position)	5.04%
Mr. Liu Xinsheng	Beneficial owner	2,598,000 (Long position)	0.21%

Save as disclosed above, and as at 30 June 2014, none of the directors or any of their associates or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 26 July 2007. It became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Share Option Scheme.

During the Period under Review, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme and there are no outstanding share options under the Share Option Scheme as at 30 June 2014.

FURTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2014, so far as is known to the directors of the Company, the following persons (other than the directors or chief executive of the Company), who had interests of 5% in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Hui Wah Ying, Joelle (Note 1)	Deemed	62,040,000	5.04%

Note 1: Ms. Hui Wah Ying Joelle ("Ms. Hui") is the spouse of Mr. Chiu Chi Hong ("Mr. Chiu"), an executive director of the Company. By virtue of the SFO, Ms. Hui is deemed to be interested in the 62,040,000 shares which are beneficially owned by Mr. Chiu.

Save as disclosed above, and as at 30 June 2014, the directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

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

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

CORPORATE GOVERNANCE

Save as described below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not, in any time during the Period under Review in due compliance with the code provisions and certain recommended practices (with amendments from time to time) as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This is deviated from the code provision A.2.1.

Mr. Li Wing Sang, who acted as the chairman of the Company during the Period under Review, was also responsible for overseeing the general operations of the Group. As the Board would meet regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance of complying with the code provision A.2.1 of the Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of chairman and chief executive officer.

FURTHER INFORMATION

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all directors of the Company, the Board has confirmed that all directors of the Company have complied with the Model Code for the Period under Review. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of directors information of the Company since the date of the 2013 annual report are as follows:

With effect from 1 April 2014, the director's emoluments of Mr. Li Wing Sang and Mr. Chiu Chi Hong have been revised to approximately HK\$2.2 million (equivalent to approximately RMB1.8 million) per annum and approximately HK\$1.8 million (equivalent to approximately RMB1.5 million) per annum respectively, which were determined with reference to the duties and responsibilities of an executive director.

Mr. Ng Wai Hung has been appointed as an independent non-executive director of On Time Logistics Holdings Limited on 20 June 2014 which is listed on the Main Board of the Stock Exchange.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rule.

AUDIT COMMITTEE

The Company established an audit committee on 26 July 2007 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has three members and comprises three independent non-executive directors, namely, Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr. Tam Tak Wah is the chairman of the audit committee.

The audit committee has reviewed and discussed with the Company's management regarding the Group's unaudited financial statements for the Period under Review and this interim report. The audit committee has confirmed that this interim report is in compliance with all applicable laws and regulations, including but not limited to the Listing Rules.

REMUNERATION COMMITTEE

The Group set up its remuneration committee on 26 July 2007 with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other employment terms to the directors and other senior management. Currently, the remuneration committee comprises three independent non-executive directors, namely Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr. Tam Tak Wah is the chairman of the remuneration committee.

By order of the Board

Li Wing Sang

Chairman

Hong Kong, 20 August 2014