



ROYALE FURNITURE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1198



2014

Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tse Kam Pang
(Chairman and Chief Executive Officer)
Mr. Chang Chu Fai J. Francis
(Vice Chairman)
Mr. Zeng Lejin *(Chief Operating Officer
resigned on 20 January 2014)*
Mr. Tse Wun Cheung
Mr. Chen Hao (appointed on 1 April 2014)

Non-Executive Director

Mr. Ma Gary Ming Fai
(appointed on 1 April 2014)

Independent Non-Executive Directors

Dr. Donald H. Straszheim
Mr. Lau Chi Kit
Mr. Yue Man Yiu Matthew

AUDIT COMMITTEE

Mr. Yue Man Yiu Matthew *(Chairman)*
Dr. Donald H. Straszheim
Mr. Lau Chi Kit

REMUNERATION COMMITTEE

Mr. Lau Chi Kit *(Chairman)*
Dr. Donald H. Straszheim
Mr. Yue Man Yiu Matthew

NOMINATION COMMITTEE

Mr. Lau Chi Kit *(Chairman)*
Dr. Donald H. Straszheim
Mr. Yue Man Yiu Matthew

COMPANY SECRETARY

Ms. Chan Wei Fun, CPA

AUDITORS

Ernst & Young

SOLICITORS

DLA Piper Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of Communications Co., Ltd.
Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

CORPORATE INFORMATION *(Continued)*

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 204, 2/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

STOCK CODE

1198

INVESTOR RELATIONS

Tel: (852) 2636-6648
Email: info@chitaly.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China continued to experience its third consecutive year of slower economic growth during the first half of 2014. China's National Bureau of Statistics just reported a drop of 10.5% in new home sales for the first 7 months of 2014. In addition, the Central Government's relentless campaign on ridding government wastage and excesses and anti-graft policy has a severe negative impact on the consumer sentiment in luxury goods. All of these factors have an adverse effect on the demand of the Group's products during the first half of 2014.

For the six months' period ended 30 June 2014, the Group's turnover decreased 8.6% to HK\$340.4 million (2013: HK\$372.4 million), as the Group continued to be negatively affected by the depressed demand and negative consumer sentiment. Gross profit dropped 8.9% to HK\$59.4 million (2013: HK\$65.3 million) whereas gross profit margin basically remained at the same level of 17.5% (2013: 17.5%).

During the period under review, selling and distribution expenses decreased 11.3% to HK\$93.4 million (2013: HK\$105.3 million), is mainly resulted from the cost cutting measures and reorganizing the Group's exhibition and promotion activities. Administration expenses increased 6.7% to HK\$36.0 million (2013: HK\$33.8 million), is mainly attributed to the additional non-cash share option expense of HK\$3.0 million. The finance costs during the period have increased 38.0% to HK\$14.8 million (2013: HK\$10.7 million) due mainly to higher interest costs upon refinancing.

For the period ended 30 June 2014, the Group has recorded a loss attributable to equity holders of HK\$65.8 million after accounting for the one-time gain of HK\$21.6 million on disposal of an associate company (2013: HK\$90.0 million). Excluding such a gain, the Group would have recorded a loss of HK\$87.4 million.

OPERATIONAL REVIEW

During the period under review, the Group recorded declined sales due to slow demand of the Group's products and to a certain extent the lifting of some of the sales incentives temporarily provided for our franchisee distributors in the past two years for defending the Group's market share. The Group faces a dilemma of defending its market share necessitated by offering more discounts and maintaining its gross profit margin. The Group continues to leverage on its brand for which it has invested a great deal of resources in the past. Advertisement with the popular Ms. Lin Chi Ling as the Group's spokesperson reinforces its image among consumers especially in the 3rd and 4th tier cities, which is expected to facilitate future sales in these cities.

INVENTORY

At the end of the period, the Group's inventory has increased 3.4% to HK\$373.4 million from 31 December 2013. The modest increase was caused by the launch of a number of new product series. The overall inventory level remained high due partly to the seasonal factor.

NEW PLANT FACILITIES

The Tianjin plant which has commenced a small scale operation since the end of 2013, operated at a very low capacity level in the first half of 2014. The Tianjin plant was originally intended to produce high-end furniture. However, in response to the current depressed market situation of high-end furniture, management decided to suspend the production of the Tianjin plant in July 2014. The Group is reviewing various options for how to best utilize its plant resources. For the period under review, the construction of Nanchang plant is still in progress but slowly.

PROSPECTS

The Group's operating environment will remain difficult in the second half of 2014 due to dampened demand as a result of the continuous austerity measures by the Chinese Government, overcapacity in the furniture industry and increasing manufacturing costs. The Group will continue its efforts to reduce costs and improve operating efficiency, broaden its sales channels in light of fierce competition and seek to deploy its resources in the most effective ways. While the short term remains tough for our operations, we are optimistic towards the longer term as China still enjoys year on year growth rates exceeding 7%. In particular, the urbanization policy remains intact and the relaxation on the "One Child" policy would spur growth of the average family size across China and, hence, demands for furniture products.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and chief executive in the shares (the "Shares") and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in shares and underlying shares of the Company:

Name of Directors	Long position/ Short position	Number of Shares	Number of share options ¹	Aggregate percentage of interest as at 30 June 2014 ²
Tse Kam Pang	Long position	447,442,811 ³	6,329,000	32.57%
Chang Chu Fai Johnson, Franics	Long position	-	9,440,271	0.68%
Chen Hao	Long position	2,119,317	3,000,000	0.37%
Tse Wun Cheung	Long position	8,685,853	4,500,000	0.95%
Ma Gary Ming Fai	Long position	2,183	1,000,000	0.07%
Donald H. Straszheim	Long position	-	1,263,547	0.09%
Lau Chi Kit	Long position	-	1,260,000	0.09%
Yue Man Yiu Matthew	Long position	-	1,260,000	0.09%

Notes:

1. The number of share options refers to the number of underlying shares of the Company covered by the share options granted to them.
2. This represents the percentage of aggregate long position in shares and underlying shares to the total issued share capital of the Company as at 30 June 2014.
3. Of these 447,442,811 shares, 51,833,769 shares were held by Mr. Tse Kam Pang personally, 185,840,120 shares and 209,768,922 shares were held by Crisana International Inc. and Charming Future Holdings Limited, respectively, which are wholly and beneficially owned by Mr. Tse Kam Pang, who is deemed to be interested in the aggregate of 395,609,042 shares held by these companies.

Save as disclosed above, as at 30 June 2014, none of the Directors and the chief executive of the Company had any interest and short position in the Shares, debentures or underlying Shares of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2014, the following shareholders of the Company (other than the directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held	Aggregate percentage of interest as at 30 June 2014 ¹
Crisana International Inc.	Directly beneficially owned	185,840,120 ²	13.34%
Charming Future Holdings Limited	Directly beneficially owned	209,768,922 ³	15.05%
Great Diamond Developments Limited	Directly beneficially owned	229,800,000 ⁴	16.49%

Notes:

1. This represents the percentage of aggregate long position in Shares and underlying Shares to the total issued share capital of the Company as at 30 June 2014.
2. These 185,840,120 Shares were held by Crisana International Inc., a company which is wholly and beneficially owned by Mr. Tse Kam Pang, the Chairman of the Company, who is deemed to be interested in the 185,840,120 Shares held by Crisana International Inc. In addition, Mr. Tse Kam Pang personally held 51,833,769 Shares.
3. These 209,768,922 Shares were held by Charming Future Holdings Limited, a company which is wholly and beneficially owned by Mr. Tse Kam Pang, the Chairman of the Company, who is deemed to be interested in the 209,768,922 Shares held by Charming Future Holdings Limited. In addition, Mr. Tse Kam Pang personally held 51,833,769 Shares.
4. These 229,800,000 Shares were held by Great Diamond Developments Limited. Great Diamond Developments Limited was incorporated in the British Virgin Islands whose ultimate beneficial owners are Mr. Wong Shu Yui (as to 35%), Ms. Chan Siu Ying (as to 25%), Mr. Wong Kai Kei (as to 20%) and Mr. Wong Yim (as to 20%).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

Long position: *(Continued)*

Save as disclosed above, as at 30 June 2014, no other persons or corporations (other than the directors or the chief executive of the Company) had any interests or short positions in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and bank balances of HK\$148.1 million as at 30 June 2014 (31 December 2013: HK\$175.2 million).

As at 30 June 2014, in addition to the interest-bearing loans amounted to HK\$400.7 million (31 December 2013: HK\$371.3 million), the Group has loans from a director and non-controlling interests totalling HK\$63.0 million (31 December 2013: HK\$64.4 million). The maturity profile of the interest-bearing loans is spread over a period of 10 years, with HK\$168.2 million repayable within one year, HK\$215.9 million within two to five years and HK\$16.6 million beyond five years.

The Group's net debt to net total capital ratio as at 30 June 2014 was approximately 34.4%. Net debt is arrived at by deducting cash and cash equivalents of HK\$148.1 million from the total of the interest-bearing loans, trade payables, other payables and accruals, loans from a director and non-controlling interests; and net total capital is the aggregate of equity attributable to owners of the Company and net debt.

As at 30 June 2014, the current ratio (current assets/current liabilities) was 1.04 times (31 December 2013: 1.05 times) and the net current assets was HK\$27.9 million (31 December 2013: HK\$35.0 million).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2014 was approximately 3,918 (2013: 3,836). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all of the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the period.

In compliance with Code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Nonetheless, the Company has appointed Mr. Tse Kam Pang as both its chairman and chief executive officer, following the departure of the ex-CEO in 2012. The Board believes that vesting the roles of the chairman and the chief executive officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board has also appointed Mr. Chang Chu Fai Johnson Francis, as vice chairman, and believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and technical individuals with a sufficient number thereof being independent non-executive directors.

AUDIT COMMITTEE REVIEW

The accounting information given in this interim report has not been audited but has been reviewed by the audit committee of the Company. The audit committee has not undertaken independent audit checks.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the directors the code of conduct for dealings in securities of the Company as set out in Appendix 10-Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”).

Having made specific enquiry to all the directors of the Company, the directors confirmed that they had complied with the Model Code for the period ended 30 June 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities for the period ended 30 June 2014.

RESULTS

The Board of Directors (the “Board”) of Royale Furniture Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
REVENUE	4	340,390	372,448
Cost of sales		(280,950)	(307,190)
Gross profit		59,440	65,258
Gain on disposal of an associate	4	21,563	–
Other income and gains	4	105	1,329
Selling and distribution costs		(93,392)	(105,268)
Administrative expenses		(36,041)	(33,769)
Finance costs	6	(14,769)	(10,705)
Share of loss of associates		(176)	(2,933)
LOSS BEFORE TAX	5	(63,270)	(86,088)
Tax	7	(2,768)	–
LOSS FOR THE PERIOD		(66,038)	(86,088)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

For the six months ended 30 June 2014

	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		(65,793)	(90,344)
NON-CONTROLLING INTEREST		(245)	4,256
		(66,038)	(86,088)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD			
	9		
Basic		(4.72) cents	(7.78) cents
Diluted		(4.72) cents	(7.78) cents

Details of the dividends payable and proposed for the period are disclosed in note 8 to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(66,038)	(86,088)
Other comprehensive (loss)/income for the period		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange difference arising from translation of foreign operations	(34,316)	8,903
Available-for-sale assets:		
Changes in fair value	(161)	(11)
Total comprehensive loss for the period	(100,515)	(77,196)
Attributable to:		
Owners of the Company	(97,767)	(82,141)
Non-controlling interest	(2,748)	4,945
	(100,515)	(77,196)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,324,081	1,371,755
Prepaid land lease payments		205,356	212,988
Goodwill		67,730	67,730
Intangible assets		747	1,316
Interest in associates		7,471	40,153
Available-for-sales investments		2,274	2,435
Total non-current assets		1,607,659	1,696,377
CURRENT ASSETS			
Inventories		373,361	361,014
Trade receivables	10	39,373	53,586
Prepayments, deposits and other receivables		150,921	139,676
Cash and cash equivalents		148,095	175,199
Total current assets		711,750	729,475
CURRENT LIABILITIES			
Trade payables	11	90,425	132,089
Other payables and accruals		248,614	249,410
Interest-bearing loans		168,198	137,768
Loans from a director		26,808	28,374
Loans from a non-controlling interests		36,219	36,019
Tax payable		113,589	110,819
Total current liabilities		683,853	694,479
NET CURRENT ASSETS		27,897	34,996
TOTAL ASSETS LESS CURRENT LIABILITIES		1,635,556	1,731,373

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Continued)*

30 June 2014

Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing loans	232,526	233,521
Deferred tax liabilities	39,410	39,410
Deferred government grant	12,500	12,807
Total non-current liabilities	284,436	285,738
Net assets	1,351,120	1,445,635
EQUITY		
Equity attributable to owners of the Company		
Issued capital	139,338	139,338
Reserves	1,110,100	1,201,867
Non-controlling interests	1,249,438	1,341,205
	101,682	104,430
Total equity	1,351,120	1,445,635

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company											
	Issued share capital	Share premium account	Share option reserve	Asset valuation reserve	Available-for-sale investment revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	116,138	761,230	1,312	138,062	(295)	6,310	164,361	467,678	6,388	1,661,184	114,896	1,776,080
Loss for the period	-	-	-	-	-	-	-	(90,344)	-	(90,344)	4,256	(86,088)
Other comprehensive income for the period:												
Change in fair value of available-for-sale investment, net of tax	-	-	-	-	(10)	-	-	-	-	(10)	-	(10)
Exchange differences on translation of foreign operation	-	-	-	-	-	-	8,214	-	-	8,214	689	8,903
Total comprehensive income for the period	-	-	-	-	(10)	-	8,214	(90,344)	-	(82,140)	4,945	(77,195)
Equity settled share option expense	-	-	3,000	-	-	-	-	-	-	3,000	-	3,000
At 30 June 2013	116,138	761,230	4,312	138,062	(305)	6,310	172,575	377,334	6,388	1,582,044	119,841	1,701,885
At 1 January 2014	139,338	814,404*	10,937*	131,011*	23*	6,961*	220,246*	18,285*	-	1,341,205	104,430	1,445,635
Loss for the period	-	-	-	-	-	-	-	(65,793)	-	(65,793)	(245)	(66,038)
Other comprehensive income for the period:												
Change in fair value of available-for-sale investment, net of tax	-	-	-	-	(161)	-	-	-	-	(161)	-	(161)
Exchange differences on translation of foreign operation	-	-	-	-	-	-	(31,813)	-	-	(31,813)	(2,503)	(34,316)
Total comprehensive income for the period	-	-	-	-	(161)	-	(31,813)	(65,793)	-	(97,767)	(2,748)	(100,515)
Equity settled share option expense	-	-	6,000	-	-	-	-	-	-	6,000	-	6,000
At 30 June 2014	139,338	814,404*	16,937*	131,011*	(138)*	6,961*	188,433*	(47,508)*	-	1,249,438	101,682	1,351,120

* These reserve accounts comprises the consolidated reserves of HK\$1,110,100,000 (31 December 2013: HK\$1,201,867,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash flow used in operating activities	(78,058)	(41,793)
Net cash flow from investing activities	25,086	6,577
Net cash flow from/(used in) financing activities	27,869	(126,736)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,103)	(161,952)
Cash and cash equivalents at beginning of period	175,199	408,471
Effect of foreign exchange rate changes, net	(2,001)	2,492
CASH AND CASH EQUIVALENTS AT END OF PERIOD	148,095	249,011
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	148,095	249,011

NOTES TO FINANCIAL STATEMENTS

30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 condensed consolidated interim financial statements do not include all the 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.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations as of 1 January 2014, noted below:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in these condensed consolidated interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of home furniture. All of the Group's products are of a similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to a single operating segment.

Information about a major customer

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the period (six months ended 30 June 2013: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue		
Sales of goods	340,390	372,448
Other income and gains		
Gain on disposal of an associate*	21,563	–
Bank interest income	105	95
Others	–	1,234
	21,668	1,329
	362,058	373,777

* The Group disposed of its shareholding of an associate, being 26.6% of Jia Meng Holdings Limited at a consideration of approximately HK\$54,264,000 on 27 June 2014. The net proceeds after commission, stamp duties and other costs was approximately HK\$54,069,000 for loan repayment. The cost of investment on that date was approximately HK\$32,506,000 (including the share of net asset value and goodwill on acquisition). The gain from disposal of the associate was approximately HK\$21,563,000.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of goods sold	280,950	307,190
Depreciation of items of property, plant and equipment	43,773	30,781
Amortisation of intangible assets	569	487
Minimum lease payments under operating leases in respect of land and buildings	31,316	43,235

6. FINANCE COSTS

	2014	
	HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank loans	13,586	10,705
Interest on loan from a director	120	–
Interest on loan from non-controlling interests	1,063	–
	14,769	10,705

7. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current – PRC corporate income tax	2,768	–
Total tax charge for the period	2,768	–

Under Decree – Law no. 58/99/M, companies in Macau incorporated under that Decree – Law (referred to as the “58/99/M Companies”) are exempted from Macau complementary tax (Macau income tax) as long as they do not sell their products to a Macau resident company. Sinofull Macau Commercial Offshore Limited, a subsidiary of the Group, is qualified as a 58/99/M company.

8. DIVIDENDS

The directors of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,393,377,017 (six months ended 30 June 2013: 1,161,377,017) in issue during the period.

The calculation of diluted loss per share for the period ended 30 June 2013 and 2014 does not assume the conversion of the Company's outstanding share options as the exercise price is higher than the Company's share price.

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculations	(65,793)	(90,344)
	Number of shares	
	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	1,393,377,017	1,161,377,017

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of provisions, is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 30 days	34,393	43,719
31 days to 90 days	4,437	8,448
91 days to 180 days	543	1,419
	39,373	53,586

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 30 days	42,309	69,984
31 days to 90 days	41,095	53,307
91 days to 180 days	3,891	6,997
181 days to 360 days	2,309	601
Over 360 days	821	1,200
	90,425	132,089

12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Approved, but not contracted for:		
The construction of land and buildings	72,579	73,000

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

By Order of the Board

Tse Kam Pang

Chairman and Chief Executive Officer

Hong Kong, 29 August 2014