



CHINA TYCOON BEVERAGE HOLDINGS LIMITED

中國大亨飲品控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 209

Interim Report

2014

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Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	China Tycoon Beverage Holdings Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this report, excluding Hong Kong and Macau
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$" and "HK cents"	Hong Kong dollars and cents
"RMB"	Renminbi
"%"	per cent.

BOARD OF DIRECTORS

Non-executive Director

Mr. Sue Ka Lok (*Chairman*)

Executive Directors

Mr. Lo Ming Chi, Charles

(*Deputy Chairman and Chief Executive Officer*)

Ms. Chan Yuk Yee

Ms. Wang Jingyu

Mr. Gao Feng

Mr. Wu Jiang

Independent Non-executive Directors

Mr. Kwok Ming Fai

Mr. Wong Kwok Tai

Ms. Leung Pik Har, Christine

AUDIT COMMITTEE

Mr. Wong Kwok Tai (*Chairman*)

Mr. Kwok Ming Fai

Ms. Leung Pik Har, Christine

REMUNERATION COMMITTEE

Mr. Kwok Ming Fai (*Chairman*)

Mr. Wong Kwok Tai

Ms. Leung Pik Har, Christine

Mr. Lo Ming Chi, Charles

NOMINATION COMMITTEE

Ms. Leung Pik Har, Christine (*Chairman*)

Mr. Kwok Ming Fai

Mr. Wong Kwok Tai

Mr. Lo Ming Chi, Charles

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 209)

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1510, 15th Floor

Great Eagle Centre

23 Harbour Road

Wanchai, Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

Bank of China (Hong Kong) Limited

Guangdong Development Bank

Zhongshan Branch

Industrial Bank Co., Ltd.

Meijiang Branch

AUDITOR

Crowe Horwath (HK) CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

WEBSITE

<http://www.chinatycoon.com.hk>

<http://www.tricor.com.hk/web/service/000209>

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group reported revenue of HK\$110,605,000, representing an 8% decline from the previous period (30 June 2013: HK\$120,787,000), and the Group's gross profit of HK\$1,760,000, showing an 87% decrease from the prior period (30 June 2013: HK\$14,010,000). The decrease in the Group's gross profit was primarily due to the reduced profit margin earned by the toys division. The Group recorded loss for the period amounting to HK\$37,569,000 (30 June 2013: HK\$46,627,000), lessened by 19%, primarily because of loss recorded by the securities investments division was substantially reduced, although partly offset by the increase in loss incurred by the toys division.

Toys Division

When compared with the previous period, the revenue of the Group's toys division decreased marginally by 6% to HK\$108,044,000 (30 June 2013: HK\$115,044,000), whereas its segment loss was increased to HK\$25,755,000 (30 June 2013: HK\$6,511,000) owing to following reasons. During the first half of 2014, the division had lost the order for a product line which carried a relatively higher profit margin as the customer had decided to retain the same for their own production based on commercial considerations. The management reacted to such loss of major order proactively by successfully solicited some new orders mainly from existing customers, although with thinner margins, with the result that the revenue of the division decreased only marginally for the review period, whilst the gross profit margin earned by the division was inevitably reduced. Moreover, the continuing rise of production costs in the Pearl River Delta Region, including labour costs, manufacturing overheads and subcontracting costs, and the production inefficiencies arising from manufacturing new products as mentioned had also led to the increase in the division's operating loss. Nevertheless, the management expects that the performance of the division will improve, barring unforeseen circumstances, in the second half of the year which covers the division's peak season.

Beverage Division

For the six months ended 30 June 2014, the division reported revenue of HK\$2,561,000, decreased by 55% comparing to the prior period (30 June 2013: HK\$5,743,000), and segment loss of HK\$3,918,000 (30 June 2013: HK\$6,221,000), reduced by 37% from the previous period. During the second half of 2013, the division had restructured its sales and distribution network by centralising all its sales activities in its Tianjin head office and closed down sales office in other areas for better and effective management. This strategic move had lowered the administrative costs of the division, as a result, the segment loss of the division had reduced during the review period. Nevertheless, the division's revenue was less than the previous period as there were competitions from other beverage products, and that substantial advertising and marketing expenses had not been incurred in promoting the division's products. The management is in the course of re-formulating the business strategy of the division in light of its financial performance in past years and conducting analysis of impact of various business measures on target geographical market, target customer group and mode of distribution. The management aims to formulate a new business strategy which can bring better and positive returns to the division.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Securities Investments

The Group's securities investments division recorded a segment loss of HK\$3,492,000 (30 June 2013: HK\$28,291,000) that was mainly constituted by the realised loss of HK\$3,369,000 arose from disposing most of the Group's securities investments during the review period. As of 30 June 2014, the Group's securities portfolio comprised only listed equity securities valued at fair value of HK\$605,000 (31 December 2013: HK\$103,167,000). In light of the unsatisfactory performance of the division's securities portfolio in the past years, the management had decided to liquidate most of the listed equity investments of the portfolio and preserve the funds for future investment opportunities. The management will continue to focus on analysing the merits of various types of investment products with particular emphasis on their risk and return profiles for future investment opportunities with the view to improve the division's financial performance.

As a whole, the Group reported a loss attributable to owners of the Company of HK\$36,878,000 (30 June 2013: HK\$45,480,000) and basic loss per share of HK2.19 cents (30 June 2013: HK2.70 cents). The Group reported total comprehensive loss, net of tax, of HK\$40,413,000 (30 June 2013: HK\$41,708,000) which included an exchange loss on translation of financial statements of overseas subsidiaries of HK\$2,844,000 (30 June 2013: gain of HK\$4,919,000). The Group's total comprehensive loss for the period, net of tax, attributable to owners of the Company amounted to HK\$39,517,000 (30 June 2013: HK\$40,900,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2014, the Group had current assets of HK\$452,191,000 (31 December 2013: HK\$370,176,000) comprising cash and cash equivalents of HK\$107,071,000 (31 December 2013: HK\$125,439,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$294,539,000 (31 December 2013: HK\$177,624,000), remained at a healthy ratio of 1.54 (31 December 2013: 2.08). At the period end, the Group's prepayments, deposits and other receivables amounted to HK\$126,465,000, increased by 8.7 times over the last year end date (31 December 2013: HK\$12,998,000) which mainly represented the sales proceeds from disposing most of the Group's securities investments during the review period and deposited with a securities brokerage company pending for future investment opportunities. The Group's bank loans at 30 June 2014 were mainly denominated in Hong Kong dollars, United States dollars and Renminbi in the proportion of 90%, 1% and 9% (31 December 2013: 98%, 2% and nil) respectively. All bank loans totalling HK\$109,142,000 (31 December 2013: HK\$80,331,000) would be matured within one year, out of which 99% bore fixed interest rate (31 December 2013: 98%) and the remaining 1% bore floating interest rate (31 December 2013: 2%).

The use of derivative financial instruments was strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's foreign currency exposures.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

As of 30 June 2014, the equity attributable to owners of the Company decreased by 11% to HK\$313,514,000 (31 December 2013: HK\$353,031,000) mainly as a result of the loss incurred by the Group during the review period. The Group financed its operations through a combination of bank financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included interest-bearing bank borrowings, trade and bills payables and other payables less pledged bank deposits and cash and cash equivalents. The Group's policy was to maintain its gearing ratio below 75% to ensure a healthy financial position. The gearing ratio of the Group at 30 June 2014 was about 37% (31 December 2013: 11%).

Despite the loss incurred by the Group, the financial position of the Group remained solid with sufficient cash and undrawn committed credit facilities to support the Group's ongoing business operations.

On 19 August 2014, the Company completed a share placement by issuing 337,280,000 new shares at a price of HK\$0.205 per share to investors. The net proceeds raised from the share placement of approximately HK\$67 million have been used as general working capital of the Group.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintained a prudent position in its foreign currency risk management, to a large extent, foreign exchange risks are minimised by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. When considered appropriate, the Group will enter into various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant.

Charge on Assets

At 30 June 2014, the Group's certain leasehold buildings and prepaid land premium in Mainland China with aggregate carrying amount of HK\$110,677,000 (31 December 2013: HK\$110,751,000), and bank deposits and trade receivables totalling HK\$4,188,000 (31 December 2013: HK\$13,546,000 (including inventories)) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 30 June 2014, the Group had no significant contingent liability (31 December 2013: nil).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Capital commitment

At 30 June 2014, the Group had capital commitments for machinery and equipment of HK\$881,000 (31 December 2013: nil).

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2014, the Group had a total of approximately 3,990 (30 June 2013: 3,590) employees, including directors, in Hong Kong and Mainland China. The Group's total staff costs for the review period, including directors' remuneration, was HK\$69,668,000 (30 June 2013: HK\$69,780,000). Remuneration packages for employees and directors were structured by reference to market terms, individual performance and experience. Benefits plans maintained by the Group included provident fund scheme, pension scheme, medical insurance, share option scheme and discretionary bonuses. The Group also provided subsidies to staff for external training.

PROSPECTS

For the six months ended 30 June 2014, the loss incurred by the beverage and securities investments division had reduced whilst the loss incurred by the toys division had increased with the result that the Group's total comprehensive loss, net of tax of HK\$40,413,000 (30 June 2013: HK\$41,708,000) remained largely the same as the previous period. Looking ahead, the management will continue to conduct review and analysis on various operational aspects of all three divisions of the Group with the view to improve their profitability and business performance in the near term.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	6	110,605	120,787
Cost of sales		(108,845)	(106,777)
Gross profit		1,760	14,010
Other revenue and other net income	6	4,718	5,280
Selling and distribution costs		(3,266)	(5,623)
Administrative expenses		(30,177)	(29,043)
Net loss on trading securities at fair value through profit or loss	7	(3,296)	(28,277)
Other operating expenses		(5,158)	(512)
Loss from operations		(35,419)	(44,165)
Finance costs	8	(2,166)	(2,266)
Loss before taxation	7	(37,585)	(46,431)
Income tax	9	16	(196)
Loss for the period		(37,569)	(46,627)
Attributable to:			
Owners of the Company		(36,878)	(45,480)
Non-controlling interests		(691)	(1,147)
Loss for the period		(37,569)	(46,627)
Loss per share			
Basic	10	(HK2.19 cents)	(HK2.70 cents)
Diluted	10	(HK2.19 cents)	(HK2.70 cents)

The notes on pages 14 to 32 form 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 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(37,569)	(46,627)
Other comprehensive (loss)/income for the period <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(2,844)	4,919
Other comprehensive (loss)/income for the period, net of tax	(2,844)	4,919
Total comprehensive loss for the period, net of tax	(40,413)	(41,708)
Attributable to:		
Owners of the Company	(39,517)	(40,900)
Non-controlling interests	(896)	(808)
	(40,413)	(41,708)

The notes on pages 14 to 32 form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	139,459	144,831
Prepaid land premiums		4,625	4,699
Intangible assets		2,483	2,567
Goodwill		834	834
		147,401	152,931
Current assets			
Trading securities		605	103,167
Inventories	13	172,499	104,148
Prepaid land premiums		152	152
Trade receivables	14	42,402	19,673
Prepayments, deposits and other receivables	15	126,465	12,998
Pledged bank deposits	16	2,997	4,599
Cash and cash equivalents	16	107,071	125,439
		452,191	370,176
Current liabilities			
Trade and bills payables	17	80,615	23,198
Other payables	18	97,701	69,456
Derivative financial instruments		2,781	–
Interest-bearing bank borrowings		109,142	80,331
Tax payable		4,300	4,639
		294,539	177,624
Net current assets		157,652	192,552
Total assets less current liabilities		305,053	345,483
Non-current liabilities			
Deferred tax liabilities		7,566	7,583
Net assets		297,487	337,900

The notes on pages 14 to 32 form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Equity			
Equity attributable to owners of the Company			
Share capital	19	168,641	168,641
Reserves		144,873	184,390
		313,514	353,031
Non-controlling interests		(16,027)	(15,131)
Total equity		297,487	337,900

The notes on pages 14 to 32 form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Issued share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve fund* HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013	168,641	684,503	41,143	10,686	53,821	(578,768)	380,026	(13,978)	366,048
Change in equity for 2013:									
Loss for the period	-	-	-	-	-	(45,480)	(45,480)	(1,147)	(46,627)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	4,580	-	4,580	339	4,919
Total comprehensive loss for the period	-	-	-	-	4,580	(45,480)	(40,900)	(808)	(41,708)
Appropriation to statutory reserve fund	-	-	-	56	-	(56)	-	-	-
Revaluation reserve realised	-	-	(677)	-	-	677	-	-	-
At 30 June 2013	168,641	684,503	40,466	10,742	58,401	(623,627)	339,126	(14,786)	324,340
At 1 January 2014	168,641	684,503	49,564	10,942	62,157	(622,776)	353,031	(15,131)	337,900
Change in equity for 2014:									
Loss for the period	-	-	-	-	-	(36,878)	(36,878)	(691)	(37,569)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(2,639)	-	(2,639)	(205)	(2,844)
Total comprehensive loss for the period	-	-	-	-	(2,639)	(36,878)	(39,517)	(896)	(40,413)
Revaluation reserve realised	-	-	(781)	-	-	781	-	-	-
At 30 June 2014	168,641	684,503	48,783	10,942	59,518	(658,873)	313,514	(16,027)	297,487

* Pursuant to the relevant laws and regulations applicable to wholly foreign-owned enterprises in the PRC, the Company's subsidiaries in the PRC are required to appropriate an amount of not less than 10% of its profit after tax to the statutory reserve fund, which may be distributed to shareholders in the form of a bonus issue.

The notes on pages 14 to 32 form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	<i>Notes</i>	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash used in operating activities		(46,098)	(46,149)
Net cash used in investing activities		(1,612)	(6,640)
Net cash generated from financing activities		30,413	19,704
Net decrease in cash and cash equivalents		(17,297)	(33,085)
Cash and cash equivalents at 1 January		125,439	130,246
Effect of foreign exchange rates changes		(1,071)	1,127
Cash and cash equivalents at 30 June		107,071	98,288
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents	16	107,071	98,288

The notes on pages 14 to 32 form 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. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are manufacturing and trading of hard and stuffed toys, manufacturing and sales of beverage products and securities investments. The Group's operations are based in Hong Kong and the PRC.

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard No. 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 to the Listing Rules.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of 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.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"). The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2013.

The measurement basis used in the preparation of these financial statement is the historical cost basis except for leasehold buildings, derivative financial instruments and equity instruments at fair value through profit or loss, which have been measured at fair values. These financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company and all amounts are rounded to the nearest thousand except where otherwise indicated.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are first effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Interpretation 21	Levies

The application of the above new and revised HKFRSs has had no material effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Board (the chief operating decision maker) of the Company for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Securities investments: this segment derives its revenue from dividends received from equity securities investments.
2. Manufacturing and trading of hard and stuffed toys: this segment derives its revenue from manufacturing and trading of hard and stuffed toys.
3. Manufacturing and sales of beverage products: this segment derives its revenue from manufacturing and sales of beverage products.

In accordance with HKFRS 8, segment information disclosed in these condensed consolidated interim financial statements has been prepared in a manner consistent with the information used by the Board for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

4. SEGMENT REPORTING (Continued)

All liabilities are allocated to reportable segments other than unallocated corporate liabilities.

Segment profit or loss before taxation exclude unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

(a) Segment results, assets and liabilities

	Securities investments		Manufacturing and trading of hard and stuffed toys		Manufacturing and sales of beverage products		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Reportable segment revenue								
Revenue from external customers	-	-	108,044	115,044	2,561	5,743	110,605	120,787
Reportable segment loss before taxation	(3,492)	(28,291)	(25,755)	(6,511)	(3,918)	(6,221)	(33,165)	(41,023)
Other segment information:								
Depreciation	-	-	(4,748)	(5,015)	(1,039)	(1,080)	(5,787)	(6,095)
Amortisation of prepaid land premiums	-	-	(76)	(76)	-	-	(76)	(76)
Amortisation of intangible assets	-	-	-	-	(63)	(62)	(63)	(62)
Gain/(loss) on disposal of property, plant and equipment, net	-	-	28	(92)	-	-	28	(92)
Write down of inventories, net	-	-	(7,216)	(5,885)	-	-	(7,216)	(5,885)
Net loss on trading securities at fair value through profit or loss	(3,296)	(28,277)	-	-	-	-	(3,296)	(28,277)
Bank interest income	-	-	35	52	1,185	10	1,220	62
Interest expenses	-	-	(2,166)	(2,265)	-	(1)	(2,166)	(2,266)
Additions to non-current segment assets	-	-	2,042	3,557	-	193	2,042	3,750

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

4. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Securities investments		Manufacturing and trading of hard and stuffed toys		Manufacturing and sales of beverage products		Total	
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Reportable segment assets	118,223	123,596	367,305	276,822	109,936	112,813	595,464	513,231
Reportable segment liabilities	-	-	(261,308)	(143,296)	(40,310)	(38,247)	(301,618)	(181,543)

Note: There were no inter-segment sales in both periods.

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Six months ended 30 June	
	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
(i) Loss before taxation		
Reportable segment loss	(33,165)	(41,023)
Unallocated interest income	-	560
Unallocated corporate expenses	(4,420)	(5,968)
Consolidated loss before taxation	(37,585)	(46,431)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

4. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities (Continued)

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
(ii) Assets		
Reportable segment assets	595,464	513,231
Unallocated corporate assets	4,128	9,876
	599,592	523,107
(iii) Liabilities		
Reportable segment liabilities	301,618	181,543
Unallocated corporate liabilities	487	3,664
	302,105	185,207

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

4. SEGMENT REPORTING (Continued)

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Beverage products	2,561	5,743
Hard and stuffed toys	108,044	115,044
	110,605	120,787

(d) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets include property, plant and equipment, prepaid land premiums, intangible assets and goodwill. The geographical location of customers refers to the location at which the services were provided or the goods were delivered. The geographical locations of property, plant and equipment and prepaid land premiums are based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which these intangible assets and goodwill are allocated.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

4. SEGMENT REPORTING (Continued)

(d) Geographical information (Continued)

	Revenue from		Non-current assets	
	external customers		As at	As at
	Six months ended 30 June		30 June	31 December
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong (place of domicile)	15,323	3,775	2,609	5,476
The PRC	2,561	5,743	144,792	147,455
United States and Canada	85,244	93,766	–	–
Japan and Europe	7,477	17,503	–	–
	110,605	120,787	147,401	152,931

(e) Information about major customers

Revenue from customers contributing 10% or more of the total sales of the Group is as follows:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The largest customer		
– revenue from manufacturing and trading of hard and stuffed toys	61,061	81,911
Second largest customer		
– revenue from manufacturing and trading of hard and stuffed toys	15,033	–

5. SEASONALITY OF OPERATION

The Group's business in manufacturing and trading of hard and stuffed toys is subject to seasonal fluctuation during a year. Generally, higher sales are experienced during the third quarter of a year in order to meet the Christmas orders before the end of each year.

The manufacturing and sales of beverage products and securities investments business have no specific seasonality factor.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

6. REVENUE, OTHER REVENUE AND OTHER NET INCOME

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 revenue and other net income is as follows:

	Six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Revenue		
Sale of goods	110,605	120,787
Other revenue and other net income		
<i>Other revenue</i>		
Bank interest income	1,220	64
Interest income from loan receivable	–	558
Total interest income on financial assets not at fair value through profit or loss	1,220	622
<i>Other net income</i>		
Fair value gain on derivative financial instruments – transactions not qualifying as hedges	–	2,297
Net foreign exchange gain	–	969
Mould income	1,568	103
Sublet rental income (<i>note 25(b)</i>)	356	399
Subcontracting income (<i>note 25(b)</i>)	575	–
Sundry income	999	890
	4,718	5,280

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

7. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
(a) Staff costs		
Employee benefit expense (including directors' remuneration): **		
Wages and salaries	62,239	63,328
Other employee benefits	1,507	1,010
Contributions to defined contribution retirement plans	5,922	5,442
	69,668	69,780
(b) Other items		
Cost of inventories	108,306	105,218
Depreciation of property, plant and equipment*	5,869	6,241
Amortisation of intangible assets ***	63	62
Amortisation of prepaid land premiums	76	76
Loss on disposal of property, plant and equipment, net ***	320	416
Fair value loss/(gain) on derivative financial instruments		
– transactions not qualifying as hedges ***	4,467	(2,297)
(c) Net loss on trading securities at fair value through profit or loss		
Realised loss/(gain) on trading securities at fair value through profit or loss	3,369	(200)
Unrealised (gain)/loss on trading securities at fair value through profit or loss	(73)	28,477
	3,296	28,277

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

7. LOSS BEFORE TAXATION (Continued)

* Depreciation of approximately HK\$1,484,000 (30 June 2013: HK\$2,191,000) is also included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

** Employee benefit expense of approximately HK\$55,332,000 (30 June 2013: HK\$53,466,000) is also included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

*** These items are included in "Other operating expenses" on the face of the condensed consolidated statement of profit or loss, except for the fair value gain on derivative financial instruments of approximately HK\$2,297,000 for the six months ended 30 June 2013 was included in "Other revenue and other net income".

8. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	2,166	2,266
Total interest expenses on financial liabilities not at fair value through profit or loss	2,166	2,266

9. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current – The PRC	–	188
Deferred tax (credit)/charge	(16)	8
Income tax (credit)/expense	(16)	196

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

9. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. For the six months ended 30 June 2014, no Hong Kong Profits Tax has been provided for in the financial statements as the Group has no assessable profits for the period (30 June 2013: nil).

Enterprise Income Tax in the PRC has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (30 June 2013: 25%), unless preferential rates are applicable in the locations where the subsidiaries are located.

Taxation arising in other jurisdictions is calculated at the rates of tax prevailing in the relevant jurisdictions.

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company of approximately HK\$36,878,000 (30 June 2013: HK\$45,480,000) and the weighted average number of 1,686,408,729 (30 June 2013: 1,686,408,729) ordinary shares in issue during the period.

Diluted loss per share

Diluted loss per share equals to basic loss per share as there was no potential dilutive ordinary shares outstanding for both periods presented.

11. DIVIDENDS

No dividends were declared during the six months ended 30 June 2014 (30 June 2013: nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred additional costs for plant and machinery, furniture, fixtures and office equipment, and motor vehicles totalling approximately HK\$2,042,000 (30 June 2013: HK\$3,750,000). The Group disposed of machinery and equipment totalling approximately HK\$2,132,000 during the period (30 June 2013: HK\$1,007,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

13. INVENTORIES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Raw materials	57,816	45,754
Work in progress	73,372	28,577
Finished goods	41,311	29,817
	172,499	104,148

No bank borrowings were secured by inventories as at 30 June 2014 (31 December 2013: HK\$7,030,000).

14. TRADE RECEIVABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Trade receivables	46,293	23,601
Less: allowance for impairment loss	(3,891)	(3,928)
	42,402	19,673

Notes:

- (i) All of the trade receivables are expected to be recovered within one year.
- (ii) At the end of the reporting period, the carrying amount of the trade receivables that had been factored but had not been derecognised amounted to HK\$1,191,000 (31 December 2013: HK\$1,917,000) and the carrying amount of the associated liability was HK\$1,012,000 (31 December 2013: HK\$1,630,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

14. TRADE RECEIVABLES (Continued)

(a) Ageing analysis

The following is an analysis of the trade receivables by age, presented based on the invoice date and net of allowance:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0 to 30 days	34,980	12,728
31 to 90 days	6,623	4,911
Over 90 days	799	2,034
	42,402	19,673

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written-off against trade receivables directly.

The movement in allowance for impairment of trade receivables is as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
At the beginning of the period/year	3,928	3,823
Reversal of allowance for impairment loss of trade receivables	–	(14)
Exchange realignment	(37)	119
At the end of the period/year	3,891	3,928

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

14. TRADE RECEIVABLES (Continued)

(b) Impairment of trade receivables (Continued)

At the end of the reporting period, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impairment on receivables are recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. As at 30 June 2014, trade receivables of the Group amounting to approximately HK\$3,891,000 (31 December 2013: HK\$3,928,000) were individually determined to be impaired.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables were deposits in securities brokerage companies of approximately HK\$109,481,000 (31 December 2013: HK\$1,729,000) for the securities investments business.

16. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Cash and cash equivalents include:		
Cash and bank balances	107,071	125,439
Cash and cash equivalents in the consolidated statement of financial position	107,071	125,439
Cash and cash equivalents in the consolidated statement of cash flows	107,071	125,439
Pledged bank deposits	2,997	4,599

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

17. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0 to 30 days	50,973	10,153
31 to 90 days	27,198	10,091
Over 90 days	2,444	2,954
	80,615	23,198

Notes:

- (i) The trade payables and bills payables are expected to be settled within one year.
- (ii) No bills payables were included in the balance of trade and bills payables as at 30 June 2014 (31 December 2013: HK\$1,601,000).

18. OTHER PAYABLES

Included in other payables was an amount of approximately HK\$23,476,000 (equivalent to RMB18,635,000) (31 December 2013: HK\$23,702,000 (equivalent to RMB18,635,000)) payable for the acquisition of machinery and equipment for the beverage business.

19. SHARE CAPITAL

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Authorised: 7,000,000,000 ordinary shares of HK\$0.10 each	700,000	700,000
Ordinary shares, issued and fully paid: 1,686,408,729 (31 December 2013: 1,686,408,729) ordinary shares of HK\$0.10 (31 December 2013: HK\$0.10) each	168,641	168,641

There was no movement in the Company's issued share capital during the period.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair value measurements

Financial assets and liabilities measured at fair value

Fair value hierarchy

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 using 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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
30 June 2014				
Financial assets at fair value through profit or loss				
– Trading securities	<u>605</u>	<u>–</u>	<u>–</u>	<u>605</u>
Financial liabilities at fair value through profit or loss				
– Currency options	<u>–</u>	<u>2,781</u>	<u>–</u>	<u>2,781</u>
31 December 2013				
Financial assets at fair value through profit or loss				
– Trading securities	<u>103,167</u>	<u>–</u>	<u>–</u>	<u>103,167</u>

During the six months ended 30 June 2014, there were no transfers between Level 1 and 2, or transfers into or out of Level 3 (30 June 2013: nil). 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.

There were no other changes in valuation techniques during the period.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

21. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liability (31 December 2013: nil).

22. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within one year	4,576	5,434
In the second to fifth years, inclusive	204	1,755
	4,780	7,189

The Group is a lessee in respect of a number of properties held under operating leases. Leases for these properties are negotiated for terms of one to ten years with an early termination option. None of the leases includes contingent rentals.

The Group as lessor

The Group's total future minimum lease income under non-cancellable operating lease is receivable as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within one year	16	16

The Group leases out its motor vehicle under operating lease. The lease typically runs for an initial period of one year. The lease does not include contingent rentals.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

23. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2014 not provided for in the financial statements were as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Contracted for, but not provided for: Property, plant and equipment	881	–

24. SUBSEQUENT EVENT

On 4 August 2014, the Company entered into a placing agreement with a placing agent, Emperor Securities Limited, whereby the Company agreed to place, through the placing agent, on a best effort basis, a maximum of 337,280,000 new shares of the Company to not less than six places at a price of HK\$0.205 per share. The placing was completed on 19 August 2014. The net proceeds raised from this placing of approximately HK\$67 million (equivalent to a net price of approximately HK\$0.199 per share) were used as general working capital of the Group.

25. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The key management personnel of the Group are the directors and chief executive of the Company. Details of their remuneration are as follows:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	577	881
Retirement scheme contributions	19	33
	596	914

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) The Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Rental expense (note (i))	166	255
Sublet rental income (note (ii))	260	351
Rental income for motor vehicle (note (ii))	96	–
Subcontracting income (note (iii))	575	–

Notes:

- (i) The rental expense of approximately HK\$76,000 (30 June 2013: HK\$255,000) was paid to a company controlled by a person who is holding a 17.7% shareholding in a subsidiary of the Company. Another rental expense of HK\$90,000 (30 June 2013: nil) was paid to a related company in which a director has significant influence.
- (ii) The sublet rental income and rental income for motor vehicle were received from two companies, which were controlled/significantly influenced by the ultimate controlling shareholder of the Company, for leasing part of an office premises and a motor vehicle from the Group respectively.
- (iii) During the six months ended 30 June 2014, the Group received subcontracting income from New Island Printing Company Limited, a company indirectly owned as to approximately 62.62% by the ultimate controlling shareholder of the Company as at the end of the reporting period, totalling approximately HK\$575,000 which are considered as continuing connected transactions under the Listing Rules.

In the opinion of the Company's directors, the above transactions were conducted on terms mutually agreed by the Group and the related parties.

The Company did not have any other related parties transactions during the period.

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements are approved and authorised for issue by the Board on 26 August 2014.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (30 June 2013: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, none of the directors or the chief executive of the Company had any interest or short position 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) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

SHARE OPTION SCHEME

The Group does not have any share option scheme during the six months ended 30 June 2014. Subsequent to the reporting period, a share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 25 July 2014. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

No share options were granted by the Company under the Share Option Scheme since its adoption.

Further details of the Share Option Scheme were set out in the Company's circular dated 23 June 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	615,791,472 (Note 1)	36.51%
Smart Legend Holdings Limited ("Smart Legend")	Interest of controlled corporation	615,791,472 (Note 1)	36.51%
Right Perfect Limited ("Right Perfect")	Beneficial owner	615,791,472 (Note 1)	36.51%
HEC Capital Limited ("HEC Capital")	Interest of controlled corporation	89,084,000 (Note 2)	5.28%

Notes:

1. These shares were held by Right Perfect, which was a wholly-owned subsidiary of Smart Legend which in turn was wholly owned by Mr. Suen. Mr. Suen is the sole director of Right Perfect and Smart Legend. Accordingly, Mr. Suen and Smart Legend were deemed to be interested in 615,791,472 shares of the Company under the SFO.
2. These shares were held by Murtsa Capital Management Limited, which was a wholly-owned subsidiary of Hennabun Development Limited which in turn was wholly owned by HEC Capital. Accordingly, HEC Capital was deemed to be interested in 89,084,000 shares of the Company under the SFO.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2014 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014 except for the following deviation with reason as explained:

Code Provision D.1.4

Code provision D.1.4 of the CG Code stipulates that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

Deviation

There has been a deviation as the Company has not entered into any letter of appointment with Mr. Gao Feng (“Mr. Gao”), an Executive Director of the Company, since his appointment on 18 June 2014. However, a subsidiary of the Company has entered into a service contract with Mr. Gao on 26 August 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its own code of conduct regarding directors’ dealings in the Company’s securities (the “Own Code”) on terms no less exacting than the required standard set out in the Model Code. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Own Code and the Model Code during the six months ended 30 June 2014.

UPDATE ON DIRECTORS’ INFORMATION

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Sue Ka Lok resigned as an executive director and chairman of Sunlink International Holdings Limited (stock code: 2336), a company listed in Hong Kong, on 3 June 2014.
2. Ms. Chan Yuk Yee resigned as the company secretary of Poly Capital Holdings Limited (stock code: 1141), a company listed in Hong Kong, on 2 July 2014.
3. Mr. Gao Feng is entitled to receive a remuneration of HK\$40,000 per month under his service contract with a subsidiary of the Company. The remuneration of Mr. Gao has been approved by the Remuneration Committee of the Company.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 have not been audited, but have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

Other Information

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

On behalf of the Board

Lo Ming Chi, Charles

Deputy Chairman and Chief Executive Officer

Hong Kong, 26 August 2014