

GRANDE

THE GRANDE HOLDINGS LIMITED

嘉城集團有限公司

(In Liquidation)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

INTERIM REPORT

2 0 1 4

CONTENTS

	Page
Corporate Information	2
Condensed Consolidated Statement of Comprehensive Income	3
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 Unaudited Condensed Consolidated Interim Financial Statements	9
Management Discussion and Analysis	28
Other Information	30

CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Fok Hei Yu
Mr. Roderick John Sutton

FOUNDING CHAIRMAN

Dr. Stanley Ho

SOLE EXECUTIVE DIRECTOR

Mr. Christopher W. Ho

INDEPENDENT AUDITORS

Jonten Hopkins CPA Limited

COMPANY SECRETARY

Mr. Francis Y. L. Hui
(appointed on 29 September 2014)

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

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CORPORATE OFFICE IN SINGAPORE

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Singapore 149544

REGISTERED OFFICE

#2 Reid Street,
Hamilton HM 11, Bermuda

SHARE REGISTRAR

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

SHARE TRANSFER OFFICE

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

COMPANY'S WEBSITE

<http://www.grandeholdings.com>

INTERIM RESULTS

The Provisional Liquidators of The Grande Holdings Limited (In Liquidation) (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period and selected explanatory notes are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	(Unaudited)	
		Six months ended	
		30 June 2014	30 June 2013
		<i>HK\$ million</i>	<i>HK\$ million</i>
REVENUE	8	344	411
Cost of sales		(251)	(312)
		<hr/>	<hr/>
Gross profit		93	99
Other income		3	6
Distribution costs		(6)	(7)
Administrative expenses		(59)	(52)
Other expenses		–	(1)
Finance costs		–	(135)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAX		31	(90)
Tax	9	–	(21)
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE PERIOD	10	31	(111)
		<hr/>	<hr/>
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(3)	14
		<hr/>	<hr/>
		(3)	14
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		28	(97)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		(Unaudited)	
		Six months ended	
	<i>Notes</i>	30 June 2014	30 June 2013
		<i>HK\$ million</i>	<i>HK\$ million</i>
PROFIT/(LOSS) FOR THE PERIOD			
ATTRIBUTABLE TO:			
Shareholders of the Company		25	(111)
Non-controlling interests		6	–
		<u>31</u>	<u>(111)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)			
FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		26	(114)
Non-controlling interests		2	17
		<u>28</u>	<u>(97)</u>
EARNINGS/(LOSS) PER SHARE			
Basic	<i>11</i>	<i>HK\$</i> 0.05	<i>HK\$</i> (0.24)
Diluted		<u>0.05</u>	<u>(0.24)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2014	(Audited) As at 31 December 2013
	<i>Notes</i>	HK\$ million	<i>HK\$ million</i>
NON-CURRENT ASSETS			
Plant and equipment		2	2
Investment properties		1	1
Deferred tax assets		23	31
Brands and trademarks		738	738
Other assets		1	1
Goodwill		13	13
		<hr/>	<hr/>
		778	786
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories	12	70	44
Accounts and bills receivable	13	151	94
Prepayments, deposits and other receivables	14	33	38
Tax recoverable		7	3
Pledged deposits with banks		1	–
Cash and bank balances	15	471	520
		<hr/>	<hr/>
		733	699
		<hr/>	<hr/>
CURRENT LIABILITIES			
Bank overdraft		2	2
Accounts and bills payable	16	20	12
Accrued liabilities and other payables	17	3,300	3,309
Tax liabilities		81	82
Provision for legal claims	18	452	452
		<hr/>	<hr/>
		3,855	3,857
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(3,122)	(3,158)
		<hr/>	<hr/>
NET LIABILITIES		(2,344)	(2,372)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited) As at 30 June 2014	(Audited) As at 31 December 2013
	Notes	HK\$ million	HK\$ million
CAPITAL AND RESERVES			
Share capital	19	46	46
Share premium		1,173	1,173
Reserves		(4,006)	(4,032)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
		(2,787)	(2,813)
NON-CONTROLLING INTERESTS			
		443	441
TOTAL DEFICIENCY OF EQUITY			
		(2,344)	(2,372)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Contributed reserve	Exchange fluctuation deficits	Other deficits	Accumulated deficits	Deficiency of equity attributable to the shareholders of the Company	Non- controlling interests	(Unaudited) Total deficiency of equity
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January 2014	46	1,173	193	(156)	(7)	(4,062)	(2,813)	441	(2,372)
Profit for the period	-	-	-	-	-	25	25	6	31
Other comprehensive income/(loss)	-	-	-	1	-	-	1	(4)	(3)
Total comprehensive income for the period	-	-	-	1	-	25	26	2	28
At 30 June 2014	46	1,173	193	(155)	(7)	(4,037)	(2,787)	443	(2,344)
At 1 January 2013	46	1,173	193	(152)	(7)	(3,871)	(2,618)	425	(2,193)
Loss for the period	-	-	-	-	-	(111)	(111)	-	(111)
Other comprehensive (loss)/income	-	-	-	(3)	-	-	(3)	17	14
Total comprehensive (loss)/ income for the period	-	-	-	(3)	-	(111)	(114)	17	(97)
At 30 June 2013	46	1,173	193	(155)	(7)	(3,982)	(2,732)	442	(2,290)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash (used in)/generated from operating activities	(49)	44
Net cash generated from/(used in) investing activities	289	(76)
Net cash used in financing activities	–	(1)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	240	(33)
Cash and cash equivalents at 1 January	229	247
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	469	214
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents –		
Cash	1	1
Bank balances	229	148
Deposit with maturing date within three months	241	67
Bank overdraft	(2)	(2)
	<hr/>	<hr/>
	469	214
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2014

1. BASIS OF PREPARATION

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

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value as appropriate.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar and all values are rounded to nearest million (HK\$ million) unless otherwise stated.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING

Trading in the shares of the Company has been suspended from trading on the Stock Exchange since 30 May 2011.

On 31 May 2011, pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the “High Court”), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (“FTI Consulting”) were appointed as the provisional liquidators to the Company (the “Provisional Liquidators”) as a result of the winding up petition made by Sino Bright Enterprises Co., Ltd. (“Sino Bright”), one of the creditors, against the Company. Upon the appointment of the Provisional Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting (the “Escrow Agent”) and Sunny Faith Investments Limited (the “Investor”) (the “Escrow Agreement”). Pursuant to the Escrow Agreement, the Provisional Liquidators have granted the Investor an exclusivity period up to nine months to negotiate a legally binding agreement for the implementation of a viable restructuring proposal. The Provisional Liquidators have also appointed Emperor Capital Limited as financial adviser to the Company regarding the restructuring of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING (continued)

On 8 September 2011, the Company was placed in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on the Stock Exchange. On 31 May 2012, the Company submitted a resumption proposal, which was prepared by the Investor and accepted by the Provisional Liquidators, to the Stock Exchange to address the following:

- (a) that the Company had a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and
- (b) that the Company had adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The Stock Exchange was not satisfied with the Company's resumption proposal submitted on 31 May 2012, and by a letter dated 5 July 2012, the Stock Exchange informed the Company its decision to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from that date.

On 4 October 2012, the Provisional Liquidators announced that after a review hearing held by Listing Committee on 25 September 2012, the Listing Committee decided to uphold the Listing Divisions' decision to place the Company in the second stage of delisting. Accordingly, the Listing Committee further decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from 25 September 2012.

On 30 January 2013, the Provisional Liquidators announced that the exclusivity and escrow agreement dated 26 July 2011 has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the second stage of the delisting.

On 13 March 2013, a revised resumption proposal was submitted to the Stock Exchange. On 21 June 2013, the Company provided further information to the Stock Exchange.

By a letter dated 28 June 2013 (the "Letter"), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING (continued)

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

- (i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;
- (iii) demonstrate sufficient working capital for at least twelve months from resumption date; and
- (iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013.

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING (continued)

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the Restructuring Agreement to implement the Restructuring Proposal. Under the terms of the Restructuring Agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Nakamichi and Sansui trademarks, will be retained.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the "Updated Resumption Proposal") to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors' schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the Resumption Proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the Restructuring Proposal.

3. GOING CONCERN BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at 30 June 2014, the Group had net current liabilities of approximately HK\$3,122 million (As at 31 December 2013: HK\$3,158 million) and net liabilities of approximately HK\$2,344 million (As at 31 December 2013: HK\$2,372 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the unaudited condensed consolidated interim financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

4. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in preparing the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
HKAS 32 (Amendment)	Presentation: Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group's results and financial position for the current or prior periods, nor any substantial changes in the Group's accounting policies.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2014, and is in the process of assessing their impact on future accounting periods:

HKFRS 9	(i) Financial instruments
Amendments to HKFRS 9 and HKFRS 7	(i) Mandatory effective date of HKFRS 9 and transition disclosures
HKFRS 11 (Amendment)	(iii) Joint arrangements
HKFRS 14	(iii) Regulatory deferral accounts
HKFRSs (Amendments)	(ii) Improvements to HKFRSs 2010 – 2012 cycle
HKFRSs (Amendments)	(ii) Improvements to HKFRSs 2011 – 2013 cycle
HKAS 16 (Amendment)	(iii) Property, plant and equipment
HKAS 19 (Amendment)	(ii) Defined benefit plans: Employees contributions
HKAS 38 (Amendment)	(iii) Intangible assets
HKAS 41 (Amendment)	(iii) Agriculture

(i) Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

(ii) Effective for annual periods beginning on or after 1 July 2014.

(iii) Effective for annual periods beginning on or after 1 January 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial statements, the critical accounting judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
Financial assets –		
Loans and receivables (including cash and bank balances)	<u>644</u>	<u>636</u>
Financial liabilities –		
At amortised cost	<u>3,774</u>	<u>3,775</u>

(b) Financial risk management objectives and policies:

The Group's major financial instruments include equity investments, borrowings, accounts receivable, accounts payable and other borrowings. Details of these financial instruments are disclosed in respective notes.

The unaudited 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 consolidated financial statements for the year ended 31 December 2013.

There have been no changes in the policies on how to mitigate these risks since the year ended 31 December 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

7. SEGMENT INFORMATION

The Group currently organises its operations into the following reportable operating segments.

Operating segments	Principal activities
Emerson	Distribution of audio and video products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business – Comprising the brands and trademarks, namely, Akai, Sansui and Nakamichi

(a) **Unaudited revenue and results of the Group by operating segments:**

For the six months ended 30 June 2014:

	Emerson <i>HK\$ million</i>	Licensing <i>HK\$ million</i>	Unallocated <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Revenue:				
Sales of goods to external customers	283	–	–	283
Licensing income from external customers	31	30	–	61
	<u>314</u>	<u>30</u>	<u>–</u>	<u>344</u>
Total revenue	314	30	–	344
Results:				
Segment results	11	19		30
	<u>11</u>	<u>19</u>		<u>30</u>
Unallocated corporate expenses			(1)	(1)
				<u>29</u>
Interest income			2	2
				<u>2</u>
Profit for the period				31
				<u>31</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

7. SEGMENT INFORMATION (continued)

(a) Unaudited revenue and results of the Group by operating segments: (continued)

For the six months ended 30 June 2013:

	Emerson HK\$ million	Licensing HK\$ million	Unallocated HK\$ million	Consolidated HK\$ million
Revenue:				
Sales of goods to external customers	356	–	–	356
Licensing income from external customers	18	37	–	55
	<u>374</u>	<u>37</u>	<u>–</u>	<u>411</u>
Total revenue	<u>374</u>	<u>37</u>	<u>–</u>	<u>411</u>
Results:				
Segment results	<u>16</u>	<u>32</u>		48
Unallocated corporate expenses			(5)	<u>(5)</u>
				43
Allowance for doubtful debts			(1)	(1)
Interest income			3	3
Finance costs			(135)	(135)
Tax			(21)	<u>(21)</u>
Loss for the period				<u>(111)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

7. SEGMENT INFORMATION (continued)

(b) Geographical segments:

	(Unaudited)	
	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue:		
Asia	23	34
North America	314	376
Europe	7	1
	344	411
	344	411

8. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes the intra-group transactions.

An analysis of the Group's revenue by principal activity for the period is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
By principal activity:		
Sales of goods	283	356
Licensing income	61	55
	344	411
	344	411

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
The tax charge/(credit) comprises:		
Current period provision		
Overseas	1	22
Over provision in prior period:		
Overseas	(8)	(10)
Deferred tax		
Overseas	7	9
	<hr/>	<hr/>
	-	21
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

10. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Operating lease rentals in respect of land and buildings	4	4
Finance costs	–	135
Staff costs:		
Salaries and other benefits	19	19
Retirement benefit costs	3	4
	22	23
Auditors' remuneration	2	3
Allowance for doubtful debts	–	1
Cost of inventories recognised as expenses	251	312
Interest income	(2)	(3)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the following data:

	(Unaudited)	
	Six months ended	
	30 June 2014	30 June 2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Earnings/(loss):		
Earnings/(loss) attributable to shareholders of the Company		
used in the basic earnings/(loss) per share calculation	25	(111)
	<u>25</u>	<u>(111)</u>
	30 June 2014	30 June 2013
	Number of	Number of
	ordinary shares	ordinary shares
	<i>million</i>	<i>million</i>
Shares:		
Weighted average number of ordinary shares for the		
purposes of basic earnings/(loss) per share	460.2	460.2
	<u>460.2</u>	<u>460.2</u>

The Company did not have any potential ordinary shares during the above two periods.

12. INVENTORIES

The inventories represent finished goods stated at lower of cost and net realisable values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

13. ACCOUNTS AND BILLS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers.

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
Gross amount	209	155
Less: Allowance for doubtful debts	(58)	(61)
	151	94
Net amount	151	94

The carrying amount of accounts and bills receivable approximate to their fair value.

The aged analysis of accounts and bills receivable (net of allowance for doubtful debts) is as follows:

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
0 – 3 months	151	94
	151	94

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The aged analysis of accounts and bills receivable past due but not impaired is as follows:

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
0 – 3 months	20	24
	20	24

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivable are still considered to be fully recoverable.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
Prepayments	13	17
Deposits	2	2
Other receivables	18	19
	<hr/>	<hr/>
	33	38
	<hr/> <hr/>	<hr/> <hr/>

15. CASH AND BANK BALANCES

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
Cash	1	1
Cash in transit	–	3
Bank balances	229	149
Money market deposit with maturing date within three months	241	78
Bank certificates of deposit with maturing date more than three months	–	289
	<hr/>	<hr/>
	471	520
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

16. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
0 – 3 months	15	7
Over 6 months	5	5
	20	12
	20	12

To the extent of HK\$15 million (As at 31 December 2013: HK\$7 million) of accounts and bills payable of Emerson, the Provisional Liquidators considered that the carrying amounts of accounts and bills payable approximate to their fair value.

17. ACCRUED LIABILITIES AND OTHER PAYABLES

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
Accrued expenses and provisions	92	102
Amounts due to a former associate	572	571
Amounts due to former related companies	2,306	2,306
Other payables	330	330
	3,300	3,309
	3,300	3,309

The amounts due to a former associate in aggregate of HK\$572 million (As at 31 December 2013: HK\$571 million) are secured, non-interest bearing and have no fixed terms of repayment.

On 9 January 2014 the Provisional Liquidators caused the subsidiaries of the Company, to commence legal proceedings against (1) Sansui Electric Co. Limited, registered in Japan (“SEC”) and (2) Sansui Sales Pte. Limited (“SSPL”). Both SEC and SSPL were former associates of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

17. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

The legal proceedings are to set aside or rescind a deed of share pledge between Sansui Electric Co. Limited, registered in the BVI ("Sansui BVI"), a wholly owned subsidiary of the Group, and SEC dated 3 March 2009 (the "Share Pledge") which purports to pledge to SEC all of the shares of Sansui Acoustics Research Corporation, registered in the BVI ("SARC"), a wholly owned subsidiary of the Group. SARC owns worldwide rights to the Sansui trademarks. In parallel, the Provisional Liquidators are also prosecuting a summons under section 221 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) against former members of the management and accounting functions of the Company and its subsidiaries to obtain information and documents relating to the Share Pledge (the "Section 221 Summons").

Based on the material currently available and subject to any further information or documents to be obtained from the Section 221 Summons, the Provisional Liquidators are of the view that the deposits and debts that the Share Pledge purports to secure are not genuine and bona fide and therefore the Share Pledge should be rescinded or declared void.

On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

A Concurrent Writ of Summons is being served on SEC and has been served on SSPL. The Provisional Liquidators advise that the statement of claim has been filed with the High Court on 13 August 2014. Both SEC and SSPL have indicated that they intend to challenge the jurisdiction of the Hong Kong Court to hear the dispute. In the meantime, the Provisional Liquidators have obtained an injunction order prohibiting SEC and SSPL from dealing with or exercising any right in the shares of SARC, whether under the Share Pledge or otherwise. The injunction order will remain in place until further order of the court.

The amounts due to former related companies in aggregate of HK\$2,306 million (As at 31 December 2013: HK\$2,306 million) are unsecured, non-interest bearing and repayable on demand.

Included in the other payables are amounts in aggregate of HK\$261 million (As at 31 December 2013: HK\$262 million) which have been overdue for payment since 2010. Such balances are non-interest bearing and secured by the Group's shareholding interest in its certain subsidiaries and available-for-sale investments.

Certain claims and liabilities would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding-Up) Rules.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

18. PROVISION FOR LEGAL CLAIMS

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US\$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US\$48 million with interest at the rate of 10% per annum.

The amount was allegedly sold to another party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor. The amount would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding-Up) Rules.

19. SHARE CAPITAL

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
Authorised share capital:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100</u>	<u>100</u>
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK\$0.10 each	<u>46</u>	<u>46</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

20. OPERATING LEASE COMMITMENTS

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
The future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:		
Not later than one year	1	1
Later than one year and not later than five years	–	1
	<u>1</u>	<u>1</u>
	<u><u>1</u></u>	<u><u>2</u></u>

21. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	(Unaudited) 30 June 2014 <i>HK\$ million</i>	(Audited) 31 December 2013 <i>HK\$ million</i>
(a) Pledge of unlisted shares of a subsidiary	19	19
(b) Pledge of bank deposits	1	–
	<u>19</u>	<u>19</u>
	<u><u>20</u></u>	<u><u>19</u></u>

22. EVENTS AFTER THE REPORTING PERIOD

By a letter dated 28 June 2013 (the “Letter”), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2014

22. EVENTS AFTER THE REPORTING PERIOD (continued)

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

- (i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;
- (iii) demonstrate sufficient working capital for at least twelve months from resumption date; and
- (iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the "Updated Resumption Proposal") to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors' schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the Resumption Proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the Restructuring Proposal.

On 29 September 2014, Mr. Hui Yick Lok Francis was appointed as the Company Secretary of the Company.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Provisional Liquidators on 30 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

30 June 2014

BUSINESS REVIEW

The revenue of the Group for the six months ended 30 June 2014 (the “current period”) was HK\$344 million as compared to HK\$411 million for the six months ended 30 June 2013 (the “corresponding period”), decreased by 16.3%. Even though there was a drop in revenue, the Group recorded an unaudited net profit attributable to shareholders of HK\$25 million for the current period, a significant turnaround from an unaudited net loss attributable to shareholders of HK\$111 million for the corresponding period.

The operations of the Group can be divided into Emerson operation and Licensing operation for Akai, Sansui and Nakamichi brands.

Emerson –

The trade name “Emerson” dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson’s revenue for the current period was HK\$314 million as compared to HK\$374 million for the corresponding period. It recorded an operating profit of HK\$11 million for the current period as compared to HK\$16 million for the corresponding period. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

Licensing –

The revenue of this segment was HK\$30 million for the current period as compared to HK\$37 million for the corresponding period, a drop of 18.9%. The operating profit for the current period was HK\$19 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK\$32 million for the corresponding period. The decline in revenue and operating profit of licensing was due to loss of the licensing income in the PRC and Middle East Area, in which the licensees have stopped paying royalty fees to the Group during the period. The management is actively sourcing new licensees to cover the loss and a brand consultant has been engaged to assist the development of the branding strategies of Akai, Sansui and Nakamichi.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

30 June 2014

PROSPECT

The Company has been under the control of the Provisional Liquidators since 31 May 2011. However, it does not, in large extent, affect the daily business operations of the Group, as the major income of the Group are generated by its overseas subsidiaries. The Group has generated HK\$1,484 million, HK\$1,115 million and HK\$741 million of revenue during the years of 2011, 2012 and 2013 respectively. Although the revenue of the Group is decreasing, the loss attributable to shareholders of the Company is reducing from the loss of HK\$1,322 million in 2011 to HK\$672 million and HK\$191 million in 2012 and 2013 respectively. It was mainly due to the decrease of finance costs, impairment loss recognised in respect of brands and trademarks, provision for legal claims and settlement of court proceedings of the Group. It was encouraging that the Group has made a profit of HK\$25 million for the six months ended 30 June 2014. As announced on 12 February 2014, 31 March 2014, 12 May 2014, 10 July 2014 and 31 August 2014, the Company has received a restructuring proposal from Sino Bright, and has entered into the Restructuring Agreement and the Resumption Proposal. The Resumption Proposal is currently being reviewed and considered by the Stock Exchange and a circular containing further details of the Restructuring Proposal, the Restructuring Agreement and the transactions contemplated thereunder will be despatched to the shareholders as soon as practicable. Further announcement will be published to update the shareholders the status of the circular.

Should the proposed restructuring of the Company have been successfully implemented and completed and that the resumption in trading of the shares of the Company have been approved by the Stock Exchange, (i) all existing businesses and operations of the Group, including the operations of Emerson and licensing operations of Akai, Nakamichi and Sansui trademarks, would be retained; (ii) all the claims of the creditors against the Company, and the liabilities of the Company will be discharged and released in full; (iii) the winding up order against the Company would be kept in a permanent stay and the provisional liquidators of the Company would be discharged and released; and (iv) a full board of directors would be restored to manage the Company; then the operation of the Group could be resumed back to normal.

OTHER INFORMATION

30 June 2014

DIVIDENDS

The Provisional Liquidators do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had a current ratio of approximately 0.19 as compared to that of approximately 0.18 at 31 December 2013.

As at 30 June 2014, the Group had HK\$471 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK\$70 million as at 30 June 2014 representing an increase of HK\$26 million as compared to that at 31 December 2013.

As at 30 June 2014, the Group had net current liabilities of HK\$3,122 million as compared to HK\$3,158 million at 31 December 2013.

CHARGES ON GROUP ASSETS

As at 30 June 2014, certain of the Group's assets with a total carrying value of approximately HK\$20 million were pledged to secure the banking and other borrowing facilities granted to the Group. Details are set out in note 21 to the unaudited condensed consolidated interim financial statements.

OTHER INFORMATION (continued)

30 June 2014

CONTINGENT LIABILITIES

The Group's contingent liabilities as at 30 June 2014 were as follows:

- (a) Guarantee of trade finance banking facilities granted to former subsidiaries of approximately HK\$1 million.

- (b) On 15 April 2013 and 5 June 2013, Emerson received correspondence from the U.S. Internal Revenue Service (the "IRS") including a Form 5701 and Form 886-A regarding Adjusted Sales Income ("NOPA 1"). Emerson is disputing the proposed adjustment with the IRS. In the event that Emerson is not successful in its dispute, Emerson estimates that it could be liable for a maximum in taxes, penalties and interest of approximately US\$14.9 million (approximately HK\$115 million) pertaining to NOPA 1, in the aggregate, for its Fiscal 2010 to Fiscal 2014 periods. However, because Emerson's current assessment is that its appeal of NOPA 1 is more likely than not to be successful, Emerson has not recorded any liability and as a result, the Group has not recorded any liability in related to NOPA 1 as at 30 June 2014.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2014 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

OTHER INFORMATION (continued)

30 June 2014

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's director, his respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTOR'S INTERESTS IN SHARE CAPITAL

As at 30 June 2014, the interests of the director and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares:

Name of director	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho ("Mr. Ho")	Beneficiary of a discretionary trust	328,497,822*	71.37%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

OTHER INFORMATION (continued)

30 June 2014

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the following persons (other than the director or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	328,497,822*	71.37%
Barrican Investments Corporation	Beneficial owner	328,497,822 [#]	71.37%
Accolade (PTC) Inc	Trustee	328,497,822 [#]	71.37%

* *Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.*

[#] *Accolade (PTC) Inc is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

Save as disclosed above, as at 30 June 2014, none of the Provisional Liquidators knew of any person (other than the director or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

OTHER INFORMATION (continued)

30 June 2014

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

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

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current director of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY SOLE DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the director of the Company. Given that the Company is in liquidation and the trading of the Company's shares were suspended from trading since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the six months ended 30 June 2014.

AUDIT COMMITTEE

Following the resignations of all the Company's independent non-executive directors during the past financial periods, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 have not been reviewed by the audit committee.

For and on behalf of
The Grande Holdings Limited
(In Liquidation)
Fok Hei Yu
and
Roderick John Sutton

*Joint and Several Provisional Liquidators
acting as agents without personal liability*

Hong Kong, 30 September 2014