



GOOD FELLOW RESOURCES HOLDINGS LIMITED
金威資源控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock code:00109

2014/15

INTERIM REPORT

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (The “Board”) of Directors (the “Directors”) of Good Fellow Resources Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2014 (the “Period”) together with the comparative figures. The consolidated interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | For the six months ended 31st December, | |
|--|-------|--|---------------------------------|
| | Notes | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Turnover | 2 | 24,014 | 15,803 |
| Other revenue | 3 | 2,744 | 3,383 |
| Other net gains/(losses) | 3 | (6,832) | 4,175 |
| Administrative expenses | | (10,358) | (8,280) |
| Profit before taxation | 4 | 9,568 | 15,081 |
| Taxation | 5 | (3,566) | (2,125) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | 6,002 | 12,956 |
| Earnings per share attributable to owners of the Company | | HK Cents | HK Cents |
| – Basic and diluted | 6 | 0.41 | 0.90 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31st December, 2014 (unaudited)

| | Share capital | Share premium | Contributed surplus | Special Reserve | Other Reserve | Translation Reserve | Share-based compensation Reserve | (Accumulated losses)/ retained profits | Total |
|--|---------------|---------------|---------------------|-----------------|---------------|---------------------|----------------------------------|--|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st July, 2014 | 144,221 | 24,916 | 170,789 | 847 | 39,387 | (5) | 23,319 | (2,539) | 400,935 |
| Transactions with owners | | | | | | | | | |
| – Equity settled share based payment | - | - | - | - | - | - | 850 | - | 850 |
| – Exercise of share options | 2,590 | 11,751 | - | - | - | - | (5,017) | - | 9,324 |
| | 2,590 | 11,751 | - | - | - | - | (4,167) | - | 10,174 |
| Profit and total comprehensive income for the period | - | - | - | - | - | - | - | 6,002 | 6,002 |
| At 31st December, 2014 | 146,811 | 36,667 | 170,789 | 847 | 39,387 | (5) | 19,152 | 3,463 | 417,111 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2013 (unaudited)

| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Special Reserve HK\$'000 | Other Reserve HK\$'000 | Translation Reserve HK\$'000 | Share-based compensation Reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|------------------------------------|--------------------------------|------------------------------|------------------------------------|--|-----------------------------------|-------------------|
| At 1st July, 2013 | 144,221 | 24,916 | 170,789 | 847 | 39,387 | (5) | 16,992 | (22,916) | 374,231 |
| Profit and total comprehensive income for the period | - | - | - | - | - | - | - | 12,956 | 12,956 |
| At 31st December, 2013 | 144,221 | 24,916 | 170,789 | 847 | 39,387 | (5) | 16,992 | (9,960) | 387,187 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | At 31st December, 2014 (Unaudited) HK\$'000 | At 30th June, 2014 (Audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 698 | 762 |
| Loans receivable | 8 | 200,000 | 200,000 |
| | | <hr/> | <hr/> |
| | | 200,698 | 200,762 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 10,409 | 11,321 |
| Loans receivable | 8 | 100,000 | 100,000 |
| Investments held for trading | 10 | 30,682 | 29,827 |
| Bank balances and cash | | 117,843 | 97,939 |
| | | <hr/> | <hr/> |
| | | 258,934 | 239,087 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Other payables | | 2,404 | 2,363 |
| Provision for taxation | | 40,117 | 36,551 |
| | | <hr/> | <hr/> |
| | | 42,521 | 38,914 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 216,413 | 200,173 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 417,111 | 400,935 |
| | | <hr/> | <hr/> |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 12 | 146,811 | 144,221 |
| Reserves | | 270,300 | 256,714 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 417,111 | 400,935 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended
31st December,

| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
|--|---------------------------------|---------------------------------|
| Net cash from/(used in) operating activities | 9,698 | (189,867) |
| Net cash from investing activities | 882 | 1,773 |
| Net cash from financing activities | 9,324 | – |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | 19,904 | (188,094) |
| Cash and cash equivalents at beginning of the period | 97,939 | 271,099 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | <u>117,843</u> | <u>83,005</u> |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

The Interim Financial Report has been prepared under the historical cost convention as modified by the revaluation of investments held-for-trading and certain financial instruments, which are carried at fair values, and in accordance with accounting principles generally accepted in Hong Kong, and accounting standards issued by the HKICPA.

The accounting policies used in preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30th June, 2014.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1st July, 2014. The adoption of these new and revised HKFRS did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated financial statements and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of the new and revised HKFRS but is not yet in a position to reasonably estimate whether the new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the net amounts received and receivable from third parties, less returns and allowance and is analysed as follows:

| | For the six months ended 31st December, | |
|---|--|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Loan interest income | 24,000 | 15,658 |
| Dividend income from investments held for trading | 14 | 145 |
| | <u>24,014</u> | <u>15,803</u> |

Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments (2013: two). The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Investment and financial services – trading of securities and investment holding and provision of financial services; and
- Distribution and trading – trading of goods.

Segment information about these reportable segments is presented below:

For the six months ended 31st December, 2014 (unaudited)

| | Investment and financial services HK\$'000 | Distribution and trading HK\$'000 | Consolidated HK\$'000 |
|--|---|---|--------------------------|
| Turnover – external | 24,014 | – | 24,014 |
| Segment results | 15,519 | – | 15,519 |
| Unallocated corporate income | | | 2,744 |
| Unallocated corporate expenses (including share-based payments) | | | (8,695) |
| Profit before taxation | | | 9,568 |
| Taxation | | | (3,566) |
| Profit for the period | | | 6,002 |

For the six months ended 31st December, 2013 (unaudited)

| | Investment and financial services HK\$'000 | Distribution and trading HK\$'000 | Consolidated HK\$'000 |
|--|---|---|--------------------------|
| Turnover – external | 15,803 | – | 15,803 |
| Segment results | 17,257 | – | 17,257 |
| Unallocated corporate income | | | 3,383 |
| Unallocated corporate gains | | | 1,162 |
| Unallocated corporate expenses (including share-based payments) | | | (6,721) |
| Profit before taxation | | | 15,081 |
| Taxation | | | (2,125) |
| Profit for the period | | | 12,956 |

Geographical information

The Group determines the geographical location of non-current assets other than financial instruments, and revenue by the location of the assets and customers/payees respectively. The Group's operations are principally located in Hong Kong in which all of its revenue was derived and non-current assets other than financial instruments are located.

Information about major customers

The Group has revenue from two (2013: two) external customers of the Group's investment and financial service segment amounting to HK\$24,000,000 (2013: HK\$15,658,000) for the period. Turnover from the largest customer included therein amounted to approximately 63% of the turnover.

3. OTHER REVENUE, OTHER NET GAINS AND LOSSES

| | For the six months ended 31st December, | |
|--|--|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Other revenue | | |
| Rental income from sub-lease of office premises | 1,852 | 1,754 |
| Bank interest income | 892 | 1,629 |
| | <u>2,744</u> | <u>3,383</u> |
| Other net gains/(losses) | | |
| Net changes in fair value of investments held for trading | (7,297) | 1,880 |
| Net realized gains on sales of investments held for trading* | 465 | 1,133 |
| | <u>(6,832)</u> | <u>3,013</u> |
| Net exchange gains | – | 1,162 |
| | <u>(6,832)</u> | <u>4,175</u> |
| Other revenue and other net gains/(losses) | <u>(4,088)</u> | <u>7,558</u> |

* Net realised gains derived from sale of investments held for trading with proceeds of HK\$26,224,000 (2013: HK\$6,233,000) net of transaction costs.

4. PROFIT BEFORE TAXATION

For the six months ended

| | 31st December, 2014 (Unaudited) HK\$'000 | 31st December, 2013 (Unaudited) HK\$'000 |
|--|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Staff costs | 1,200 | 3,428 |
| Share-based payments | 850 | – |
| Depreciation of property, plant and equipment | 76 | 88 |
| Consultancy fees | – | 603 |
| Legal and professional fees | 935 | 734 |

5. TAXATION

The amount of tax recognised in the consolidated statement of comprehensive income represents:

| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
|-------------------------|---------------------------------|---------------------------------|
| Current tax | | |
| – Hong Kong Profits Tax | 3,566 | 2,125 |

Provision for Hong Kong Profits Tax has been made at 16.5% (2013: 16.5%) of the Group's estimated assessable profits for the period.

6. EARNINGS PER SHARE

The basic and diluted earnings per share attributable to the owners of the Company are calculated as follows:

| | For the six months ended | |
|--|---|---|
| | 31st December, 2014 (Unaudited) HK\$'000 | 31st December, 2013 (Unaudited) HK\$'000 |
| Profit | | |
| Profit for the purpose of basic and diluted earnings per share | 6,002 | 12,956 |

| | For the six months ended | |
|---|---|---|
| | 31st December, 2014 (Unaudited) '000 | 31st December, 2013 (Unaudited) '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 1,450,771 | 1,442,214 |
| Effect of dilutive potential ordinary shares: | | |
| – share options | 1,663 | – |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 1,452,434 | 1,442,214 |

| | For the six months ended | |
|--------------------|---|---|
| | 31st December, 2014 (Unaudited) HK Cents | 31st December, 2013 (Unaudited) HK Cents |
| Earnings per share | | |
| – Basic | 0.41 | 0.90 |
| – Diluted | 0.41 | 0.90 |

The computation of diluted earnings per share for the period ended 31st December, 2013 does not assume exercise of the outstanding share options as they had an anti-dilutive effect on the earnings per share calculation.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$10,675 (2013: HK\$2,000) on additions to property, plant and equipment.

8. LOANS RECEIVABLE

On 23rd December, 2011, Golden Wayford Limited, a wholly owned subsidiary of the Group, entered into a loan agreement with an independent third party and agreed to grant a three years term loan with principal amount of HK\$100,000,000 at fixed interest rate of 18% per annum effective on 1st February, 2012.

The repayment of the loan principal will be at maturity and interest is repayable quarterly. The loan is secured by (a) a share mortgage issued by all of the shareholders of the borrower; (b) a debenture issued by the borrower which charges on all of the assets of the borrower; (c) individual and corporate guarantees issued by all of the shareholders of the borrower and a wholly owned subsidiary of the borrower established in the PRC; and (d) six letters of undertakings issued by all of the shareholders of the borrower.

On 21st August, 2013, Golden Wayford Limited entered into another loan agreement with an independent third party and agreed to grant a three years term loan with principal amount of HK\$200,000,000 at fixed interest rate of 15% per annum effective on 11th October, 2013.

The repayment of the loan principal will be at maturity and interest is repayable semi-annually. The loan is secured by (a) share mortgages on all of the shareholders of the borrower; and (b) individual and corporate guarantees issued by all of the shareholders of the borrower.

At initial recognition, the Group determined the fair value of the loans receivable equivalent to their principal amounts. The analysis of the carrying amount of loans receivable is as follows:

| | At 31st December, 2014 (Unaudited) HK\$'000 | At 30th June, 2014 (Audited) HK\$'000 |
|-------------|---|---|
| Current | 100,000 | 100,000 |
| Non-current | 200,000 | 200,000 |
| | <u>300,000</u> | <u>300,000</u> |

9. TRADE AND OTHER RECEIVABLES

| | At 31st December, 2014 (Unaudited) HK\$'000 | At 30th June, 2014 (Audited) HK\$'000 |
|--------------------------|---|---|
| Trade receivables | 9,516 | 9,659 |
| Deposits and prepayments | 893 | 893 |
| Other receivables | – | 769 |
| | <u>10,409</u> | <u>11,321</u> |

10. INVESTMENTS HELD-FOR-TRADING

The amount at 31st December, 2014 and 30th June, 2014 represented investments in equity securities listed in Hong Kong, stated at market value.

11. EQUITY SETTLED SHARE-BASED TRANSACTION

In 2008, the Company adopted a share option scheme that entitles key management personnel and employees to subscribe for shares in the Company. The terms and conditions of the share option scheme are disclosed in note 25 to the financial statements for the year ended 30th June, 2014 (the "Share Option Scheme").

A summary of option movements for the six months ended 31st December, 2014 is presented below:

| | Six months ended 31st December, 2014 (Unaudited) | | Six months ended 31st December, 2013 (Unaudited) | |
|---|---|----------------------|---|----------------------|
| | Weighted average exercise price HK\$ | Number of options | Weighted average exercise price HK\$ | Number of options |
| Outstanding at beginning and the end of period | 0.69 | 59,480,000 | 1.14 | 25,080,000 |
| Granted during the period | 0.522 | 3,000,000 | - | - |
| Exercised during the period | 0.36 | (25,900,000) | - | - |
| Outstanding at end of period | 0.89 | 36,580,000 | 1.14 | 25,080,000 |
| Exercisable at end of period | 0.89 | 36,580,000 | 1.14 | 25,080,000 |

3,000,000 share options with exercise price of HK\$0.522 per share have been granted and 25,900,000 share options with exercise price of HK\$0.36 per share have been exercised during the six months ended 31st December, 2014 (2013: nil).

12. SHARE CAPITAL

| | Number of shares of HK\$0.1 each '000 | | Amount HK\$'000 | |
|--|--|----------|---------------------------------|----------|
| Ordinary shares | | | | |
| Authorized: | | | | |
| At 31st December, 2014 and 30th June, 2014 | 30,000,000 | | 3,000,000 | |
| Issued and fully paid: | | | | |
| | At 31st December, 2014 (Unaudited) | | At 30th June, 2014 (Audited) | |
| | Number | HK\$'000 | Number | HK\$'000 |
| Ordinary shares of HK\$0.1 each | | | | |
| At beginning of the year | 1,442,214,000 | 144,221 | 1,442,214,000 | 144,221 |
| Exercise of share options | 25,900,000 | 2,590 | - | - |
| At end of the year | 1,468,114,000 | 146,811 | 1,442,214,000 | 144,221 |

13. COMMITMENTS

Commitments under operating leases

As at 31st December, 2014, the Group had outstanding minimum commitments under a non-cancellable operating leases which is entered into by the Company on behalf of its subsidiary and falls due as follows:

| | At 31st December, 2014 (Unaudited) HK\$'000 | At 30th June, 2014 (Audited) HK\$'000 |
|--|---|---|
| Within one year | 4,392 | 4,392 |
| In the second to fifth years inclusive | 366 | 2,562 |
| | <u>4,758</u> | <u>6,954</u> |

14. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31st December, 2014, the Group had the following significant event:

As stated in the Company's announcement dated 29th January, 2015, (the "Placing Announcement") the Company has entered into a placing agreement on 9th January, 2015, (as supplemented by a supplemental deed dated 29th January, 2015) (the "Placing Agreement") with Partners Capital Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure subscriber(s), on best effort basis, for and the Company has conditionally agreed to (1) allot and issue a maximum of 1,500,000,000 new shares ("New Shares") at the subscription price of HK\$0.439 per new Share; and (2) issue convertible bonds ("Convertible Bonds") in the maximum principal amount of HK\$1,843,800,000, which entitle the holder(s) thereof to subscribe for up to 4,200,000,000 Shares at the conversion price of HK\$0.439 per conversion share (subject to adjustments). The Placing Agent has successfully introduced Tiancheng International Holdings Investment Limited (the "Investor"), the only potential investor expressed interests in subscribing for the New Shares and the Convertible Bonds, to the Company under the Placing Agreement (as supplemented by a supplemental deed dated 29th January, 2015). The Company decided to enter into the Subscription Agreement dated 9th January, 2015 (as supplemented by a supplemental deed dated 29th January, 2015) with the Investor to further formalize the details and terms of the subscription of New Shares and the Convertible Bonds. Please refer to the Placing Announcement for fuller details.

15. APPROVAL OF THE INTERIM FINANCIAL REPORT

The Interim Financial Report was approved and authorized for issue by the Board on 27th February, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31st December, 2014, the turnover of the Group increased by approximately HK\$8,211,000 to approximately HK\$24,014,000 (2013: approximately HK\$15,803,000), representing an increase of approximately 51.96% from the corresponding period of last year. Increase in turnover was primarily caused by increase in turnover related to business activities in investment and financial services receiving interest income of approximately HK\$24,000,000 (2013: HK\$15,658,000) as new loan of HK\$200,000,000 granted in October 2013 accrue income for full 6 months during the Period.

The Group recorded a profit attributable to owners of the Group of approximately HK\$6,002,000 for the Period under review compared to a profit of approximately HK\$12,956,000 of the corresponding period of last year. The decrease in profit was mainly due to the combined impact of (i) loss impact of the decrease in other net gains and losses of the Group for the Period by approximately HK\$11,007,000 to loss of approximately HK\$6,832,000 (2013: profit of approximately HK\$4,175,000) mainly due to decrease in net changes in fair value of investments held for trading at period end by approximately HK\$9,177,000 to loss of approximately HK\$7,297,000, and the Period's net exchange gains were nil whilst the corresponding period of last year was approximately HK\$1,162,000; (ii) increase in turnover for the Period by approximately HK\$8,211,000 to approximately HK\$24,014,000 (2013: HK\$15,803,000) as loan interest income of HK\$24,000,000 (2013: HK\$15,658,000) was recorded for the Period; and (iii) loss impact due to increase in administrative expenses by approximately HK\$2,078,000 to approximately HK\$10,358,000 (2013: HK\$8,280,000) mainly due to recognition of share-based compensation expenses for share options granted of approximately HK\$850,000 (2013: nil) and general increase in expenses. Overall there was a decrease in net profit of approximately HK\$6,954,000 to HK\$6,002,000 (2013: profit of approximately HK\$12,956,000) for the Group for the Period.

BUSINESS REVIEW

With possible slow down of China economy and timetable of de-leveraging of the United States as ongoing uncertainty spanning through the Period under review, and in view of existing financial resources of the Group, the Group had remained cautious during the Period on its investment and financial services segment and had transacted only low volume of buy trades of securities and had sold shares that had not appreciated in value, the Group continued to stay put with its strategy to maintain its investment portfolios and diversified its investment portfolios with shareholders' capital return and volatility risks both considered in the Group's holdings of portfolios of the investment and financial services segment. The Group's sales orders for its distribution and trading segment has not brought turnover to this segment during the Period. Loan financing in aggregate of HK\$300,000,000 continued to bring interest income and has contributed to the Group's turnover and gross profit for the Period under review. The Group has a Money Lenders Licence and can offer loan financing allowed by the Money Lenders Ordinance of Hong Kong. Loan financing had been the core drive for the Group's turnover and our main business during the Period and we had continued our effort on loan reviews to hope to bring more income for the loan financing activity.

FUTURE PROSPECTS

The Group has approximately HK\$258,934,000 of current assets at the end of the Period. Traditionally, the Company has relied on the offering of loan financing under the Money Lenders Ordinance of Hong Kong as the core driver of its revenue. In light of the unstable global economic outlook, the Company has considered to leverage on its experience in investments and loan financing and diversify into related areas of investment and financial segment, which the Board believes would bring synergy values with the existing business of the Company.

Accordingly, the Company has entered into a placing agreement and a subscription agreement of new shares and convertible bonds (the "Placing") as detailed in the announcement dated 29th January, 2015, with aim to increase financial resources of the Group for the expansion and diversification of its business. Having analyzed different strategies, in the event that the Placing can proceed to completion, the Board considered the following plans may be suitable for the future prospects and growth for the Group to broaden and expand its services in the investment and financial services segment:– (1) acquisitions of the domestic and overseas fund management companies to form a fund management and investment platform in the PRC or Hong Kong; (2) obtaining a third party payment license in the PRC, and integrating with third-party payment companies in the PRC, together with launching a third party payment services, internet banking services and other related financial services; (3) cooperating with domestic commercial banks in the PRC to set up financial services and consulting firms which are responsible for the financial transactions and advisory services of the commercial banks in the PRC; (4) developing and expanding the financial services platform of the Group from that involved in investment in listed companies' securities into additional mergers and acquisitions and business integration of companies in the PRC or overseas; and (5) strengthening the existing financing business of the Group and provide more loans to new and existing customers for additional interests income.

Liquidity and Financial Resources

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$117,843,000 (30th June, 2014: HK\$97,939,000).

As at 31st December, 2014 the Group had a net current assets of approximately HK\$216,413,000 (30th June, 2014: HK\$200,173,000). The shareholders' equity was approximately HK\$417,111,000 (30th June, 2014: HK\$400,935,000) and there was no borrowing. The Group's gearing ratio, calculated using the total borrowings (including convertible notes liabilities) as a percentage of total shareholders' funds as basis, was nil (30th June, 2014: nil).

Contingent Liabilities

As at 31st December, 2014, the Group did not have any significant contingent liabilities.

Proposed Placing and Subscription of New Shares and Convertible Bonds

Please refer to note 14 of the financial statements and our announcement dated 29th January, 2015 for details of proposed placing and subscription arrangement to (1) allot and issue a maximum of 1,500,000,000 new shares at the subscription price of HK\$0.439 per new Share; and (2) issue convertible bonds in the maximum principal amount of HK\$1,843,800,000, which entitle the holder(s) thereof to subscribe for up to 4,200,000,000 Shares at the conversion price of HK\$0.439 per conversion share (subject to adjustments).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2014 (2013: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's monetary assets and liabilities were primarily denominated in Hong Kong dollars and thus the Group would not have significant exposures to material fluctuations in exchange rates. As at 31st December, 2014, the Group had no material exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

DISCLOSURE OF INTERESTS

(i) Directors

At 31st December, 2014 the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of the Company

| Directors | Capacity | Number of issued ordinary shares held | Number of share options held | Total | Approximate percentage of issued share capital of the Company |
|--------------------------|---------------------------------------|---|------------------------------------|-------------|---|
| Mr. Ng Leung Ho (Note) | Interest of controlled corporation | 406,741,882 | - | 406,741,882 | 27.71% |
| Mr. Lo Wan Sing, Vincent | Beneficial owner | 43,000,000 | 4,400,000 | 47,400,000 | 3.23% |
| Mr. Law Wai Fai | Beneficial owner | - | 2,600,000 | 2,600,000 | 0.18% |
| Mr. Chau On Ta Yuen | Beneficial owner | 300,000 | 2,300,000 | 2,600,000 | 0.18% |
| Ms. Xu Lei | Beneficial owner | - | 1,400,000 | 1,400,000 | 0.10% |

Note:

Included corporate interests attributed to Mr. Ng Leung Ho of 406,741,882 shares held by Rich Capital Global Enterprises Limited, which is directly wholly owned by Mr. Ng Leung Ho.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholder

At 31st December, 2014, so far as is known to the Directors, shareholders (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholder | Capacity | Number of issued ordinary shares/underlying shares held | Approximate percentage of the issued share capital of the Company |
|--|------------------|---|---|
| Rich Capital Global Enterprises Limited (Note) | Beneficial owner | 406,741,882 | 27.71% |

Note: The entire issued capital of Rich Capital Global Enterprises Limited is directly wholly owned by Mr. Ng Leung Ho.

Save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 31st December, 2014.

None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st December, 2014, the Group employed approximately 11 employees. The Remuneration Committee and the Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 29th January, 2008, the Company adopted the share option scheme.

Up to 31st December, 2014 there were 86,400,000 share options granted. 25,900,000 and 15,520,000 option had been exercised during the period and the prior period, respectively. 8,400,000 option has been cancelled or lapsed during the prior period. Details of which were as follows:

Number of shares under option

| Director | Beginning of period | Granted during the period | Exercised during the period | End of period | Subscription price per share | Date of grant of share options | Vesting and exercisable period |
|--------------------------|---------------------|---------------------------|-----------------------------|---------------|------------------------------|--------------------------------|--|
| Mr. Law Wai Fai | 600,000 | - | - | 600,000 | 1.25 | 5th February, 2008 | 5th February, 2008 to 4th February, 2018 |
| | 600,000 | - | - | 600,000 | 0.80 | 7th September, 2009 | 7th September, 2009 to 6th September, 2019 |
| | 1,400,000 | - | - | 1,400,000 | 0.36 | 28th March, 2014 | 28th March, 2014 to 27th March, 2024 |
| Sub-total | 2,600,000 | - | - | 2,600,000 | | | |
| Mr. Lo Wan Sing, Vincent | - | - | - | - | | | |
| | 1,400,000 | - | - | 1,400,000 | 0.80 | 7th September, 2009 | 7th September, 2009 to 6th September, 2019 |
| | 6,000,000 | - | (3,000,000) | 3,000,000 | 0.36 | 28th March, 2014 | 28th March, 2014 to 27th March, 2024 |
| | 7,400,000 | - | (3,000,000) | 4,400,000 | | | |
| Mr. Chau On Ta Yuen | 600,000 | - | - | 600,000 | 1.25 | 5th February, 2008 | 5th February, 2008 to 4th February, 2018 |
| | 300,000 | - | - | 300,000 | 0.80 | 7th September, 2009 | 7th September, 2009 to 6th September, 2019 |
| | 1,400,000 | - | - | 1,400,000 | 0.36 | 28th March, 2014 | 28th March, 2014 to 27th March, 2024 |
| Sub-total | 2,300,000 | - | - | 2,300,000 | | | |
| Ms. Xu Lei | 1,400,000 | - | - | 1,400,000 | 0.36 | 28th March, 2014 | 28th March, 2014 to |
| Sub-total | 1,400,000 | - | - | 1,400,000 | | | 27th March, 2024 |

| Director | Beginning of period | Granted during the period | Exercised during the period | End of period | Subscription price per share | Date of grant of share options | Vesting and exercisable period |
|---|---------------------|---------------------------|-----------------------------|-------------------|------------------------------|--------------------------------|--|
| Employees/ Non-Directors and other parties | 7,800,000 | - | - | 7,800,000 | 1.11 | 31st January, 2008 | 31st January, 2008 to 30th January, 2018, |
| Non-Director and other party | 5,900,000 | - | - | 5,900,000 | 1.25 | 5th February, 2008 | 5th February, 2008 to 4th February, 2018 |
| Non-Director and other party | 5,600,000 | - | - | 5,600,000 | 1.27 | 6th February, 2008 | 6th February, 2008 to 5th February, 2018 |
| Employees/ Non-Directors and other parties | 1,680,000 | - | - | 1,680,000 | 0.80 | 7th September, 2009 | 7th September, 2009 to 6th September, 2019 |
| Employees/ Non-Directors/ other parties | 24,800,000 | - | (22,900,000) | 1,900,000 | 0.36 | 28th March, 2014 | 28th March, 2014 to 27th March, 2024 |
| Other party | - | 3,000,000 | - | 3,000,000 | 0.522 | 10th November, 2014 | 10th November, 2014 to 9th November, 2024 |
| | <u>45,780,000</u> | <u>3,000,000</u> | <u>(22,900,000)</u> | <u>25,880,000</u> | | | |
| Total | <u>59,480,000</u> | <u>3,000,000</u> | <u>(25,900,000)</u> | <u>36,580,000</u> | | | |

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2014.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three independent non-executive Directors of the Company, Mr. Law Wai Fai, Mr. Chau On Ta Yuen and Ms. Xu Lei. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters, including review of the unaudited interim financial statements of the Group for the Period.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the six months ended 31st December, 2014 with the Code on Corporate Governance Practices (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules during the six months ended 31st December, 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") during the period under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31st December, 2014 except that on 18th September, 2014, Mr. Lo Wai Sing, Vincent ("Mr. Lo") sold 600,000 shares of the Company (the "Share Disposal").

On 25th September, 2014, a board meeting of the Company was held to consider and approve the annual results of the Company for the year ended 30th June, 2014 (the "Annual Results") and the announcement of the Annual Results was published on that date. The Share Disposal took place during the black-out period for Directors' dealings in the shares of the Company which resulted in non-compliance with Rule A.3 of the Model Code. In light of the aforesaid, Mr. Lo and the Company have taken various measures, including dedicated personnel of Mr. Lo attending to the black-out compliance and instructions giving to stock brokers of Mr. Lo in respect of the forthcoming black-out periods.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

List of all Directors of the Company as of the date of this report:

Executive Directors:

Mr. Ng Leung Ho (*Chairman*)
Mr. Lo Wan Sing, Vincent (*Vice-Chairman
and Managing Director*)

Independent Non-Executive Directors:

Mr. Chau On Ta Yuen
Mr. Law Wai Fai
Ms. Xu Lei

On behalf of the Board

Ng Leung Ho
Chairman

Hong Kong, 27th February, 2015

* *For identification purposes only*