

# HARMONIC STRAIT FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 33



**2015**  
**INTERIM REPORT**

# CONTENTS

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<b>CORPORATE INFORMATION</b>	2
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	3
<b>DISCLOSURE OF INTERESTS</b>	7
<b>CORPORATE GOVERNANCE AND OTHER INFORMATION</b>	9
<b>CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>	
<b>Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	11
<b>Condensed Consolidated Statement of Financial Position</b>	13
<b>Condensed Consolidated Statement of Changes in Equity</b>	14
<b>Condensed Consolidated Statement of Cash Flows</b>	15
<b>NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>	16

*The English text of this interim report shall prevail over the Chinese text in case of inconsistencies.*

# CORPORATE INFORMATION

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## **Board of Directors**

### *Executive Directors*

Leung Heung Ying (*Appointed on June 9, 2015*)

Tong Nai Kan

Wong Kwong Sum (*Appointed on March 9, 2015*)

Zhao Tieliu

Lo Siu Leung (*Resigned on June 8, 2015*)

### *Non-executive Directors*

Xie Li (*Appointed on July 24, 2015*)

Ko Ming Tung, Edward (*Resigned on July 24, 2015*)

### *Independent Non-executive Directors*

Cheung Wah Keung (*Chairman*)

Anthony Espina

Ho Chun Chung, Patrick (*Appointed on July 10, 2015*)

Zhang Huadi (*Appointed on July 10, 2015*)

Cheng Wai Lam, James (*Resigned on July 10, 2015*)

## **Executive Committee**

Tong Nai Kan (*Chairman*)

Wong Kwong Sum (*Appointed on March 9, 2015*)

Zhao Tieliu

Lo Siu Leung (*Resigned on June 8, 2015*)

## **Audit Committee**

Anthony Espina (*Chairman*)

Cheung Wah Keung

Ho Chun Chung, Patrick (*Appointed on July 10, 2015*)

Zhang Huadi (*Appointed on July 10, 2015*)

Cheng Wai Lam, James (*Resigned on July 10, 2015*)

Ko Ming Tung, Edward (*Resigned on July 24, 2015*)

## **Remuneration Committee**

Cheung Wah Keung (*Chairman*)

Anthony Espina

Ho Chun Chung, Patrick (*Appointed on July 10, 2015*)

Zhang Huadi (*Appointed on July 10, 2015*)

Cheng Wai Lam, James (*Resigned on July 10, 2015*)

Ko Ming Tung, Edward (*Resigned on July 24, 2015*)

## **Nomination Committee**

Cheung Wah Keung (*Chairman*)

Anthony Espina

Ho Chun Chung, Patrick (*Appointed on July 10, 2015*)

Zhang Huadi (*Appointed on July 10, 2015*)

Tong Nai Kan

Cheng Wai Lam, James (*Resigned on July 10, 2015*)

Ko Ming Tung, Edward (*Resigned on July 24, 2015*)

## **Authorised Representatives**

Tong Nai Kan

Lo Siu Leung

## **Company Secretary**

Chen Kwok Wang

## **Website**

www.harmonics33.com

## **Registered Office**

P.O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman, KY1-1104

Cayman Islands

## **Principal Place of Business in Hong Kong**

Unit B, 35/F.

No. 169 Electric Road

North Point

Hong Kong

## **Principal Share Registrar and Transfer Office**

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman, KY1-1110

Cayman Islands

## **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

## **Principal Bankers**

China Minsheng Banking Corporation Limited

The Hongkong and Shanghai Banking

Corporation Limited

## **Legal Adviser**

Patrick Mak & Tse

16th Floor

Nan Fung Tower

173 Des Voeux Road Central

Hong Kong

## **Auditor**

Cheng & Cheng Limited

Certified Public Accountants

10/F, Allied Kajima Building

138 Gloucester Road, Wanchai

Hong Kong

## **Stock Code**

33 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)



# MANAGEMENT DISCUSSION AND ANALYSIS

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*(All figures are approximates)*

## **BUSINESS REVIEW**

Given the uncertainties in global financial markets, the potential of increasing interest rate and slowing economic growth in Mainland China, the operating environment for the credit guarantee and investment business was quite challenging, the Group has adopted a conservative strategy to manage the high inherent default risk of the overall market during the six months ended June 30, 2015 (the “Current Half Year”), the revenue was approximately to HK\$2.4 million which represents an 2.7 times increase from HK\$0.9 million for the six months ended June 30, 2014 (the “Previous Half Year”). The revenue of the trading and manufacturing business of party products was dropped by 40.8% from HK\$53.0 million to HK\$31.4 million during the Current Half Year compared to the Previous Half Year as the market shrink of trading and manufacturing business of the party products.

During the Current Half Year, the Company has completed a placing of new shares under a specific mandate to place 4,000,000,000 shares and the net proceeds from it was approximately HK\$395 million. The HK\$147.5 million of it was used to settle the other short term loan including the interests.

## **FINANCIAL REVIEW**

During the Current Half Year, the Group’s revenue was HK\$34.0 million representing a decrease of 37.0% from HK\$53.9 million (restated) for the Previous Half Year. The decrease in turnover was mainly due to market shrink of the trading and manufacturing business of the party products.

Gross profit during the Current Half Year was HK\$4.1 million, representing the 2.2 times of the HK\$1.9 million (restated) for the Previous Half Year. In terms of gross profit margin, the current figure was 12.1%, representing an increase of 8.4 percentage point from the 3.7% for the Previous Half Year. The increase in both of gross profit and gross profit ratio were contributed by the financial income of the credit guarantee and investment business generated from its internal financial resource.

Operating expenses during the Current Half Year was HK\$10.5 million, representing an increase of 8.4% from HK\$9.7 million (restated) for the Previous Half Year as professional cost incurred for certain fund raising activities.

Finance costs during the Current Half Year were HK\$26.7 million which decreased from HK\$33.3 million (restated) of the Previous Half Year. Such decrease was mainly due to the repayment of the other short term loan including its interest in amount of HK\$147.5 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2015, net current assets were HK\$335.4 million (December 31, 2014: net current liability HK\$28.4 million). The Group's current ratio was 3.78 (December 31, 2014: 0.89), based on current assets of HK\$456.2 million and current liabilities of HK\$120.8 million. The Group has no bank borrowing as June 30, 2015 (December 31, 2014: HK\$1.1 million) and the gearing ratio was zero (December 31, 2014: 0.5% which is total bank borrowings divided by total assets). As at June 30, 2015, the Group had cash and bank balances of HK\$336.5 million (December 31, 2014: HK\$55.1 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group continued to have no structured investment products, foreign exchange contracts and investment in listed shares, bonds and debentures. The Group is not exposed to material fluctuations in exchange rates. As at June 30, 2015, the face value of the outstanding convertible bond of the Company was HK\$112,000,000 (December 31, 2014: HK\$612,000,000) including amount of HK\$10,000,000 (December 31, 2014: HK\$510,000,000) being waived its right to demand for repayment.

As at June 30, 2015, the Group had prepayments, deposits and other receivables of HK\$101.1 million, which represented a decrease of HK\$35.9 million (26.2%) from HK\$136.9 million at December 31, 2014. As at June 30, 2015, the Group had no material capital commitments (December 31, 2014: Nil). The operating lease commitment for the Group as at June 30, 2015 was around HK\$13.5 million (December 31, 2014: HK\$2.9 million). It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and acquisition opportunities.

## CAPITAL STRUCTURE

On February 23, 2015, the Company entered into a placing agreement with a placing agent to place up to 4,000,000,000 placing shares at the placing price of HK\$0.1 per placing share, a discount of approximately 13.79% to the closing price of HK\$0.116 per Share as quoted on the Stock Exchange on February 18, 2015. The authorized share capital of the Company from HK\$500,000,000 to HK\$1,000,000,000 by the creation of an additional 5,000,000,000 Shares and the placing of shares were approved by shareholders at the extraordinary general meeting on April 21, 2015. On May 29, 2015, 4,000,000,000 placing shares were placed to not less than six places at HK\$0.1 per placing shares. The aggregate gross proceeds from the placing of new shares and the aggregate nominal value were HK\$400 million and the net proceeds was approximately 395 million, i.e. HK\$0.09875 per share, after deduction all the professional fees incurred in the placement. The Company intended to utilize the net proceeds from the Placing as to approximately (i) HK\$102 million for the convertible bonds repayment; (ii) HK\$141.5 million for the settlement of the outstanding amount of the loans including the interests; and (iii) the remaining for development of the existing financing platform. As at June 30, 2015, HK\$147.5 million was used for settlement of the outstanding amount of the loans including the interests and the remaining HK\$247.5 million was held as general working capital for redeem the outstanding convertible bonds amounted to HK\$102 million and development of financing platform.

Moreover, HK\$500,000,000 convertible bonds of the Company were converted into 400,000,000 shares during the Current Half Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## EVENT AFTER REPORTING PERIOD

The five-year convertible bond which was approved to issue on August 24, 2010 was mature on August 26, 2015, and the Company has fully redeemed all the outstanding amount of them in amount of HK\$102 million.

## CONTINGENT LIABILITIES

The Group's contingent liabilities, if any, are set out in the notes to the condensed consolidated financial statements.

## HUMAN RESOURCES

As at June 30, 2015, the Group had 34 employees (December 31, 2014: 31 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

## INTERIM DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2015 (June 30, 2014: Nil).

## SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. The Board may, at its absolute discretion, invite any employees (whether full time or part time), any executive Directors, any non-executive Directors, any independent non-executive Directors, or any consultants, suppliers or customers of the Group to take up options to subscribe for Shares.

The principal terms of the Share Option Scheme are as follows:

- (i) The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Company must not in aggregate exceed ten (10) per cent of the Shares in issue on the annual general meeting held on June 5, 2015; and the overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time ("30% Overall Limit").
- (ii) The total number of Shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one (1) per cent of the issued share capital of the Company for the time being.

## MANAGEMENT DISCUSSION AND ANALYSIS

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- (iii) The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.
- (iv) An option may be accepted by an eligible participant for a period of 30 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK\$10.00 is payable by the grantee upon acceptance of an option.
- (v) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer or grant of option and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the Date of Grant, subject to the provisions for early termination thereof. An option may not be exercised after of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to), if appropriate, the minimum period for an option must be held or may be exercised.
- (vi) The Share Option Scheme remains valid for a period of 10 years commencing on October 30, 2007.

No share options have been granted under the Share Option Scheme since its adoption.

The total number of Shares available for issue under the Share Option Scheme is 737,640,000, representing approximately 9.98 % of the issued Shares as at the date of this report.

### OUTLOOK

With the completion of the placing of new shares in May 2015, the Group has lifted its heavy burdens on financial cost and move to a new stage. In future, the Group will continue to recruit talents in various professions which would inspire the Group to develop in different area. The Group now has tried to widen its existing financing platform in China; however, the business environment especially conditions in economic, regulations are very challenging. The Group will continually explore any business opportunities to expand the source of revenue and enhance the Group's profitability and will try to finance them both internally and externally to satisfy any additional capital requirements.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at June 30, 2015, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or 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 Appendix 10 of Listing Rules, were as follows:

Name of director	Nature of Interests	Number of shares	Percentage of the issued share capital of the Company
Mr. Leung Heung Ying	Beneficial owner	149,502,000 (long position)	2.02%
Mr. Tong Nai Kan	Interest of spouse	40,000,000 (long position)	0.54%
	Interest of a controlled corporation ( <i>Note</i> )	24,000,000 (long position)	0.32%

*Note:* The companies wholly-owned by Mr. Tong Nai Kan, holds 16,000,000 shares and HK\$10,000,000 convertible bond of the Company which can be converted into shares upon conversion at an exercise price of HK\$1.25.

Save as disclosed above, as at June 30, 2015, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. As at June 30, 2015, the Company had no Chief Executive Officer.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at June 30, 2015, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company and the Company had calculated the percentage to the issued share capital of the Company based on the number of issued share capital of 7,392,400,000 shares of the Company as at June 30, 2015.



## DISCLOSURE OF INTERESTS

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<b>Name</b>	<b>Nature of Interests</b>	<b>Number of shares</b>	<b>Percentage to the issued share capital of the Company</b>
Cheung Kwan	Beneficial owner	1,450,000,000 (long position)	19.61%
Chan Shing	Interest of a controlled corporation	721,944,000 (long position)	9.77%
Lau Ting	Interest of a controlled corporation	721,944,000 (long position)	9.77%
Favor King Limited	Interest of a controlled corporation	721,944,000 (long position)	9.77%
Glory Add Limited	Beneficial owner	721,944,000 (long position)	9.77%

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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## SHARE OPTION SCHEME

The Company adopted a share option scheme on October 30, 2007, but the Company had not granted any share options.

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2015.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended June 30, 2015, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules except the following:

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Directors. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development.

Code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Anthony Espina, being the independent non-executive director, did not attend the Company's extraordinary general meeting and annual general meeting held on April 24, 2015 and June 5, 2015 respectively due to his prior engagements.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries to all directors, all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2015.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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### AUDIT COMMITTEE

The Audit Committee was established on October 30, 2007 and it assists the Board in discharging its responsibilities for corporate governance, financial reporting and internal control. As at June 30, 2015, the Audit Committee comprises of Mr. Anthony Espina (Chairman of Audit Committee and Independent Non-executive Director), Mr. Cheung Wah Keung (Independent Non-executive Director), Mr. Ho Chun Chung, Patrick (Independent non-executive Director) and Mr. Zhang Huadi (Independent non-executive Director). The Audit Committee has reviewed the condensed consolidated interim financial statements of the Group for the six months ended June 30, 2015. The Audit Committee has also discussed auditing, internal control, the accounting principles and practices adopted by the Group.

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51 (B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2014 annual report of the Company is set out below:

Mr. Cheung Wah Keung was appointed as independent non-executive director of the Sky Light Holdings Limited (stock Code 3882), and China Kingstone Mining Holdings Limited (stock code 1380), companies listed on the Main Board of the Stock Exchange on June 12, 2015, and July 14, 2015 respectively.

By Order of the Board  
**Harmonic Strait Financial Holdings Limited**  
**Cheung Wah Keung**  
*Chairman*

Hong Kong, August 28, 2015

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board”) of Harmonic Strait Financial Holdings Limited (the “Company”) present herewith the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2015, together with the comparative figures. These condensed consolidated interim financial statements have been reviewed by the Company’s audit committee, but have not been reviewed by the Company’s auditor.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended June 30,	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Restated) (Unaudited)
<b>Continuing operations</b>			
Revenue	5	33,984	53,919
Cost of sales		(29,855)	(51,947)
Gross profit		4,129	1,972
Other revenue		753	2,938
Operating expenses		(10,462)	(9,654)
Operating loss		(5,580)	(4,744)
Finance costs	6	(26,694)	(33,342)
Loss before taxation	7	(32,274)	(38,086)
Taxation	8	–	–
Loss from continuing operations		(32,274)	(38,086)
<b>Discontinued operations</b>			
Loss from discontinued operations	9	–	(238)
Loss for the period		(32,274)	(38,324)

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended June 30,	
		2015	2014
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Restated) (Unaudited)
Loss for the period		<b>(32,274)</b>	(38,324)
Other comprehensive income/(loss):			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		<u>985</u>	<u>(1,650)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>985</u>	<u>(1,650)</u>
Total comprehensive loss for the period		<b><u>(31,289)</u></b>	<b><u>(39,974)</u></b>
Loss for the period attributable to:			
Equity shareholders of the Company		<u>(32,229)</u>	(38,258)
Non-controlling interests		<u>(45)</u>	<u>(66)</u>
		<b><u>(32,274)</u></b>	<b><u>(38,324)</u></b>
Total comprehensive (loss)/income for the period attributable to:			
Equity shareholders of the Company		<u>(31,350)</u>	(39,746)
Non-controlling interests		<u>61</u>	<u>(228)</u>
		<b><u>(31,289)</u></b>	<b><u>(39,974)</u></b>
Dividend	10	<u>—</u>	<u>—</u>
Loss per share			
— Basic	11	<b><u>(0.8 cents)</u></b>	<u>(2.1 cents)</u>
— Diluted	11	<u>N/A</u>	<u>N/A</u>
Loss per share — Continuing operations			
— Basic	11	<b><u>(0.8 cents)</u></b>	<u>(2.1 cents)</u>
— Diluted	11	<u>N/A</u>	<u>N/A</u>



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2015	As at December 31, 2014
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	3,415	2,871
Goodwill		1,993	1,993
		<u>5,408</u>	<u>4,864</u>
<b>Current assets</b>			
Inventories		9,153	10,124
Trade receivables	13	9,194	18,537
Tax recoverable		189	189
Prepayments, deposits and other receivables		101,096	136,880
Cash and cash equivalents		336,525	55,143
		<u>456,157</u>	<u>220,873</u>
<b>Total assets</b>		<u><b>461,565</b></u>	<u><b>225,737</b></u>
<b>Equity</b>			
Share capital	14	739,240	299,240
Reserves		(415,115)	(340,414)
Equity attributable to shareholders of the Company		324,125	(41,174)
Non-controlling interests		16,252	16,191
<b>Total equity</b>		<u><b>340,377</b></u>	<u><b>(24,983)</b></u>
<b>Non-current liabilities</b>			
Deferred taxation		382	1,433
<b>Current liabilities</b>			
Trade payables	16	3,225	6,845
Accruals and other payables		15,610	145,229
Amounts due to directors	17b	2,104	2,594
Bank borrowings — secured		—	1,125
Convertible bonds		99,867	93,494
		<u>120,806</u>	<u>249,287</u>
<b>Total equity and liabilities</b>		<u><b>461,565</b></u>	<u><b>225,737</b></u>
<b>Net current assets</b>		<u><b>335,351</b></u>	<u><b>(28,414)</b></u>
<b>Total assets less current liabilities</b>		<u><b>340,759</b></u>	<u><b>(23,550)</b></u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Translation reserve	Capital reserve	Convertible bond reserve	Statutory reserve	Accumulated loss	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2014 (Audited)	178,785	1,276,596	14,057	(15,000)	1,828,475	3,420	(3,319,929)	17,823	(15,773)
Share allotments	33,000	-	-	-	-	-	-	-	33,000
Deferred tax arising from convertible bonds	-	-	-	-	921	-	-	-	921
Disposal of subsidiaries	-	-	(1,736)	-	-	-	1,736	-	-
Total comprehensive loss for the period	-	-	(1,488)	-	-	-	(38,258)	(228)	(39,974)
At June 30, 2014 (Unaudited)	<u>211,785</u>	<u>1,276,596</u>	<u>10,833</u>	<u>(15,000)</u>	<u>1,829,396</u>	<u>3,420</u>	<u>(3,356,451)</u>	<u>17,595</u>	<u>(21,826)</u>
	Share capital	Share premium	Translation reserve	Capital reserve	Convertible bond reserve	Statutory reserve	Accumulated losses	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at January 1, 2015 (Audited)	299,240	2,482,389	10,989	(15,000)	572,848	3,420	(3,395,060)	16,191	(24,983)
Issuance of new shares upon conversion of convertible bonds	40,000	475,089	-	-	(515,089)	-	-	-	-
Issue of new shares through placing	400,000	(4,403)	-	-	-	-	-	-	395,597
Deferred tax arising from convertible bonds	-	-	-	-	1,052	-	-	-	1,052
Total comprehensive income/(loss) for the period	-	-	879	-	-	-	(32,229)	61	(31,289)
At June 30, 2015 (Unaudited)	<u>739,240</u>	<u>2,953,075</u>	<u>11,868</u>	<u>(15,000)</u>	<u>58,811</u>	<u>3,420</u>	<u>(3,427,289)</u>	<u>16,252</u>	<u>340,377</u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	35,511	(16,136)
Net cash (outflow)/inflow from investing activities	(746)	6,297
Net cash inflow from financing activities	246,617	16,000
Net increase in cash and cash equivalents	281,382	6,161
Cash and cash equivalents at beginning of period	55,143	135,311
Cash and cash equivalents at end of period	336,525	141,472

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## 1. GENERAL INFORMATION

The Company was incorporated and domiciled in the Cayman Islands. Its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 2015 comprises the Company and its subsidiaries (together referred to as the “Group”). The Company is an investment holding company. The Group is principally engaged in the credit guarantee and investment business in the People’s Republic of China (“PRC”), trading and manufacturing of party product, and trading of metal and minerals business in Hong Kong.

The address of its principal place of business in Hong Kong is Unit B, 35/F., No. 169 Electric Road, North Point, Hong Kong.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

### (b) Judgments and estimates

Preparing the 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 these condensed consolidated interim financial statements, significant 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 as at and for the year ended December 31, 2014.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. PRINCIPAL ACCOUNTING POLICIES

Up to the date of issue of these condensed consolidated interim financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are relevant to the Group but are not yet effective for the six months ended 30 June 2015 and have not been adopted in these condensed consolidated interim financial statements:

	<b>Effective for accounting periods beginning on or after</b>
Annual Improvements to HKFRSs 2012–2014 Cycle	1 January 2016
HKFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to HKAS 1 Disclosure Initiative	1 January 2016
Amendments to HKAS 16 Property, plant and equipment and HKAS 38 Intangible assets — Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKFRS 11 Joint arrangements — Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 Property, plant and equipment and HKAS 41 Agriculture — Agriculture: Bearer Plants	1 January 2016
Amendments to HKAS 27 Separate financial statements — Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10 Consolidated financial statements and HKAS 28 Investments in associates and joint ventures — Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKFRS 10 Consolidated financial statements HKAS12 Income taxes and HKAS 28 Investments in associates and joint ventures — Investments Entities Apply by the Consolidation Exception	1 January 2016
HKFRS 15 Revenue from contracts with customers	1 January 2017
HKFRS 9 (2014), Financial instruments	1 January 2018

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS

As a result of the disposal of hotel business and financial planning services business during the year ended December 31, 2014, the Group has changed its internal organization and composition of its reportable segment, the comparatives are therefore consistently presented in this regard.

For six months ended June 30, 2015

	Continuing operations			Sub-total	Discontinued operations	Total
	Credit Guarantee and Investment Business	Trading and manufacturing of party products	Trading of metal and minerals			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue						
External sales	<u>2,408</u>	<u>31,576</u>	<u>–</u>	<u>33,984</u>	<u>–</u>	<u>33,984</u>
Result						
Segment results	<u>(927)</u>	<u>(486)</u>	<u>(509)</u>	(1,922)	–	(1,922)
Interest income				481	–	481
Sundry income				272	–	272
Unallocated corporate expenses				(4,411)	–	(4,411)
Interest expenses				<u>(26,694)</u>	–	<u>(26,694)</u>
Loss before taxation				(32,274)	–	(32,274)
Income tax expenses				<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period				<u>(32,274)</u>	<u>–</u>	<u>(32,274)</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS *(Continued)*

For six months ended June 30, 2014 (Restated)

	Continuing operations			Sub-total	Discontinued operations	Total
	Credit Guarantee and Investment Business	Trading and manufacturing of party products	Trading of metal and minerals			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue						
External sales	882	53,037	–	53,919	16,071	69,990
	<u>882</u>	<u>53,037</u>	<u>–</u>	<u>53,919</u>	<u>16,071</u>	<u>69,990</u>
Result						
Segment results	(2,722)	(1,536)	–	(4,258)	(913)	(5,171)
	<u>(2,722)</u>	<u>(1,536)</u>	<u>–</u>	<u>(4,258)</u>	<u>(913)</u>	<u>(5,171)</u>
Interest income				1,835	–	1,835
Sundry income				1,103	–	1,103
Unallocated corporate expenses				(3,424)	–	(3,424)
Interest expenses				(33,342)	(45)	(33,387)
Gain on disposal of subsidiaries				–	720	720
				<u>–</u>	<u>720</u>	<u>720</u>
Loss before taxation				(38,086)	(238)	(38,324)
Income tax expenses				–	–	–
				<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period				<u>(38,086)</u>	<u>(238)</u>	<u>(38,324)</u>

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned or loss incurred by each segment without allocation of administrative expenses, other income, other gains and losses and finance cost. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. REVENUE

Revenue represents credit guarantee business and investment business income, net amounts received and receivable for goods sold, less sales returns and discounts. The amount of each significant category of revenue recognized in turnover during the period is as follows:

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated) (Unaudited)
<u>Continuing operations</u>		
Credit guarantee and investment business income	2,408	882
Sales of goods in trading and manufacturing business of party products	31,576	53,037
	<b>33,984</b>	53,919
<u>Discontinued operations</u>		
Provision of hotel accommodation service	–	10,895
Insurance brokerage commission income	–	5,176
Total	<b>33,984</b>	69,990

### 6. FINANCE COSTS

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated) (Unaudited)
<u>Continuing operations</u>		
Interest expense on bank borrowings repayable within five years	9	233
Interest expenses on loan advances	20,312	27,530
Imputed interest expense on convertible bonds	6,373	5,579
	<b>26,694</b>	33,342
<u>Discontinued operations</u>		
Interest expense on bank borrowings repayable within five years	–	45
Total	<b>26,694</b>	33,387

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. LOSS BEFORE TAXATION

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Depreciation	683	231
Staff costs, including directors' emoluments	4,452	4,680
Interest income	(481)	(1,835)
	(481)	(1,835)

### 8. TAXATION

No Hong Kong Profits Tax was provided as there was no estimated assessable profit for the period (June 30, 2014: Nil).

### 9. DISCONTINUED OPERATIONS

There was no disposal occurred during the six months ended June 30, 2015. The Group disposed of its hotel business segment and financial planning services business segment during the year ended December 31, 2014.

#### The results of discontinued segments

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Revenue	–	16,071
Expenses	–	(17,029)
	–	(17,029)
Result from operating activities	–	(958)
Income tax	–	–
	–	–
Result from operating activities, net of tax	–	(958)
Gain on disposal of discontinued operations	–	720
	–	720
Loss for the period from discontinued operations	–	(238)

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 9. DISCONTINUED OPERATIONS *(Continued)*

#### Cash flows from discontinued operations

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	–	13
Net cash to financial activities	–	(2,040)
Net cash from investing activities	–	3,676
	<u>–</u>	<u>1,649</u>

### 10. DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2015 (June 30, 2014: Nil).

### 11. LOSS PER SHARE

The calculations of basic loss per share and basic loss per share — continuing operations for the interim period were based on the consolidated loss attributable to equity shareholders of the Company of approximately HK\$32.2 million and HK\$32.2 million respectively (June 30, 2014: HK\$38.3 million and HK\$38.7 million respectively) and the weighted average number of shares in issue during the period, which was 3,840,797,790 shares (June 30, 2014: 1,839,396,961 shares).

Since the impact of the potential ordinary shares on the conversion of outstanding convertible bonds on the loss per share are anti-dilutive, the diluted loss per share were not presented.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2015, the Group incurred approximately HK\$1.2 million (June 30, 2014: HK\$0.3 million) on acquisition of property, plant and equipment.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. TRADE RECEIVABLES

The Group normally grants credit terms of up to 90 days to its customers, and may from time to time extend such credit periods for extra 30 to 60 days to certain customers.

	<b>As at June 30, 2015</b>	<b>As at December 31, 2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 to 30 days	6,057	9,681
31 to 60 days	2,126	4,018
61 to 90 days	124	976
Over 90 days	887	3,862
	<b>9,194</b>	<b>18,537</b>
	<b>9,194</b>	<b>18,537</b>

During the six months ended June 30, 2015, no trade receivables of the Group were individually determined to be impaired (December 31, 2014: Nil).

The carrying amounts of trade receivables approximate their fair values.

### 14. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.1 each:		
<b>Authorised:</b>		
As at December 31, 2014	5,000,000	500,000
Increase ( <i>Note 1</i> )	5,000,000	500,000
	10,000,000	1,000,000
As at June 30, 2015	10,000,000	1,000,000
<b>Issued and fully paid:</b>		
As at December 31, 2014	2,992,400	299,240
Issue of new shares upon conversion of convertible bonds ( <i>Note 2</i> )	400,000	40,000
Issue of new shares through placement ( <i>Note 1</i> )	4,000,000	400,000
	7,392,400	739,240
As at June 30, 2015	7,392,400	739,240

(1) On February 23, 2015, the Company entered into a placing agreement with a placing agent to place up to 4,000,000,000 placing shares at the placing price of HK\$0.1 per placing share, a discount of approximately 13.79% to the closing price of HK\$0.116 per Share as quoted on the Stock Exchange on February 18, 2015. The authorized share capital of the Company from HK\$500,000,000 to HK\$1,000,000,000 by the creation of an additional 5,000,000,000 Shares and the placing of shares were approved by shareholders at the extraordinary general meeting on April 21, 2015. On May 29, 2015, 4,000,000,000 placing shares were placed to not less than six placees at HK\$0.1 per placing share.

(2) HK\$500,000,000 convertible bonds of the Company were converted into 400,000,000 shares during the period.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 15. CONVERTIBLE BONDS

As at June 30, 2015, the face value of the outstanding convertible bonds of the Company was HK\$112,000,000. The face value of HK\$10,000,000 was covenanted by its holder, Market Speed Limited, which is wholly-owned by the executive director of the Company, Mr. Tong Nai Kan, by deed with the Company that it will (1) convert all convertible bonds into fully-paid shares of the Company on or before the maturity date on August 26, 2015, subject to existing terms and conditions under which the convertible bonds were issued by the Company and approved by the Stock Exchange, and waive its right to demand repayment from the Company in respect of any its convertible bonds not so converted on the maturity date; and (2) procure all Market Speed Limited's future transferees, if any, of the convertible bonds transferred to observe and comply with the covenant. Therefore, according to the prevailing Hong Kong Financial Reporting Standards, the Company will no longer be required to provide for notional interest in respect of such amount of convertible bonds in the future.

	<b>Liability portion</b>
	<u>HK\$'000</u>
At December 31, 2014	93,494
Imputed interest amortised	<u>6,373</u>
At June 30, 2015	<b><u>99,867</u></b>

### 16. TRADE PAYABLES

	<b>As at June 30, 2015</b>	As at December 31, 2014
	<u>HK\$'000</u>	<u>HK\$'000</u>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 to 30 days	<b>2,632</b>	3,420
31 to 60 days	–	2,926
61 to 90 days	<b>308</b>	344
Over 90 days	<b>285</b>	155
	<b><u>3,225</u></b>	<b><u>6,845</u></b>

The carrying amounts of trade payables approximate their fair values.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 17. RELATED PARTY TRANSACTIONS

#### (a) Compensation of senior management of the Group

	Six months ended June 30,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	2,996	1,129
Contributions to retirement scheme	19	17
	<u>3,015</u>	<u>1,146</u>

#### (b) Financial arrangement

	As at	As at
	June 30, 2015	December 31, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Amounts due to directors <sup>#</sup>	<u>2,104</u>	<u>2,594</u>

<sup>#</sup> The amounts due to directors are unsecured, interest-free and repayable on demand.

### 18. EVENTS AFTER REPORTING PERIOD

The five-year convertible bonds which were approved to issue on August 24, 2010 were mature on August 26, 2015, and the Company had fully redeemed all the outstanding amount of them in amount of HK\$102 million.

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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### **19. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period presentation.

### **20. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The condensed consolidated interim financial statements were approved by the Board on August 28, 2015.