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Theme International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 990)

INTERIM
REPORT
2015

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Management Discussion and Analysis

Business and Financial Review

Theme International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in (i) retailing garments through the operation of retail outlets and department store counters in Taiwan; (ii) loan financing services in Hong Kong; and (iii) trading of chemical materials, commodities and organic food in Hong Kong.

Revenue, loss after taxation and basic loss per share of the Group for the six months ended 30 June 2015 and 2014 were summarized as follows:

	Revenue		Loss after taxation		Basic loss per share	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
From operations	<u>22,440</u>	<u>40,885</u>	<u>(17,734)</u>	<u>(8,422)</u>	<u>HK(0.43) cents</u>	<u>HK(0.23) cents</u>

The Group recorded total revenue of approximately Hong Kong dollars (“HK\$”) 22,440,000 (2014: approximately HK\$40,885,000) for the six months period ended 30 June 2015 (“Interim Period”) representing a decrease of approximately HK\$18,445,000 over the corresponding prior period.

The revenue of the garment retailing business decreased by around 53.7% for the Interim Period with a revenue of approximately HK\$18,932,000 (2014: approximately HK\$40,885,000). The increase in competition in the garment retailing business in Taiwan and the Group’s decision to terminate loss making shops are the main reason for the decrease. The Group has taken more stringent cost control measures during the Interim Period and the Group is targeting to minimize loss from Taiwan’s retailing garments operation in the second half of 2015.

The segment loss from the garment retailing business increased to approximately HK\$11,403,000 for the Interim Period from approximately HK\$1,876,000 over the corresponding prior period. Due to the decrease in revenue and the increase in one-off administrative expenses for shop closure, the segment loss increased.

The loss of the Group for the Interim Period increased to approximately HK\$17,734,000 from approximately HK\$8,422,000 for the corresponding prior period due to the decrease in revenue of garment retailing business, an increased payment to certain experienced staffs who are mainly responsible in exploring new business opportunities for the Group and the payment of professional fees for the new businesses as detailed below.

The basic loss per share increased to approximately HK0.43 cents for the Interim Period from approximately HK0.23 cent for the corresponding prior period.

Management Discussion and Analysis

Significant Events

During the Interim Period, the Group disposed of its entire indirect equity interest in Zhongshan City Hewan Stone Technology Limited* (中山市合萬石材科技有限公司), an environmental building material company in the southern part of the People's Republic of China (the "PRC") and its 50% indirect interest in Beijing Zhufeng Tiangong Jade Technology Development Limited* (北京珠峰天宮玉石科技發展有限公司) to Mr. Wong Lik Ping, chairman, executive director and a shareholder of the Company at an aggregate consideration of HK\$6,850,000. The environmental building material company is relatively new in the market and considering the non-satisfactory financial performance in the past, the Group consider that it would be in the best interest of the shareholders of the Company ("**Shareholders**") to prevent further losses. A gain on disposal of approximately HK\$351,000 was recorded during the Interim Period. Details of the disposal are set out in the Company's announcement on 9 April 2015 and note 14 to the condensed consolidated financial statements.

The Group has recorded losses for the last five consecutive financial years. For the two years ended 31 December 2013 and 2014, the Group recorded consolidated loss for the year of approximately HK\$15,341,000 and approximately HK\$22,253,000 respectively. In view of the unsatisfactory performance of the Group and as part of the business plan as stated in the annual report of the Company for the year ended 31 December 2014, the Group has been exploring and evaluating new businesses and investment opportunities which could be of good potential and/or long-term benefits to the Group and the Shareholders.

On 24 February 2015, the Company completed the placing of 730,000,000 new shares of the Company ("**Shares**") pursuant to the general mandate granted to the directors of the Company at the annual general meeting held on 16 May 2014 at a placing price of HK\$0.161 each ("**February 2015 Placement**"). The Company intends to apply a majority of the net proceeds from the placing to develop the loan financing services business that the Group is developing and fund the general working capital of the Group. Details of the February 2015 Placement are disclosed in the Company's announcements dated 6 and 24 February 2015 and note 13 to the condensed consolidated financial statements.

As disclosed in the annual report of the Company for the year ended 31 December 2014, the Group initiated the application process for the money lenders licence and filed an application on 24 February 2015. The Licencing Court (as defined under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)) has granted a money lenders licence to Asia Develop Limited, a wholly-owned subsidiary of the Company on 4 June 2015 for a period of 12 months.

* for identification purpose only

Management Discussion and Analysis

During the Interim Period, a HK\$5,000,000 loan was granted to an independent third party. Details of the loan are set out in the Company's announcements dated 27 and 28 April 2015 respectively and note 10 to the condensed consolidated financial statements. The Group is in negotiation with other potential customers and further announcement(s) will be made as and when appropriate.

The Group has also tapped into trading business during the Interim Period, which provide steady cashflow and profit to the Group. The new loan financing services business and trading business generated additional revenue of approximately HK\$130,000 and approximately HK\$3,378,000 during the Interim Period respectively (2014: Nil).

On the other hand, the Company entered into a non-legally binding Memorandum of Understanding (the "**MOU**") with Liberty International Industrial Limited ("**Liberty International**") on 22 April 2015 in relation to the possible acquisition by the Company in pharmaceutical business of Liberty International. As at the date of approval of the condensed consolidated financial statements, the due diligence works are currently in process and in line with the schedule proposed by both parties. The proposed transaction is still subject to further negotiations between the Company and the Vendor and the terms of the definitive agreement may deviate from that set out in the MOU. Details of the MOU are set out in the Company's announcement dated 22 April 2015.

June 2015 Placement

Reference is made to the announcements of the Company dated 30 July 2015 and 28 August 2015. Unless defined otherwise, capitalized terms used herein in connection with the transactions contemplated under the Placing Agreement (as defined in the Announcement) and the Subscription Agreement (as defined in the Announcement) shall have the same meanings as defined in the announcement of the Company dated 28 August 2015 (the "**Announcement**").

On 2 June 2015, the Company entered into the Placing Agreement (as supplemented by the Supplemental Placing Document) with Partners Capital Securities Limited (the "**Placing Agent**") pursuant to which the Placing Agent conditionally agreed to procure subscriber(s), on a best efforts basis, for, and the Company conditionally agreed to (1) allot and issue a maximum of 6,000,000,000 new Shares at the subscription price of HK\$0.1 per new Share; and (2) issue convertible bonds in the aggregate principal amount of HK\$1,000,000,000, which entitle the holder(s) thereof to subscribe for up to 10,000,000,000 new Shares at the conversion price of HK\$0.1 per conversion share (subject to adjustments).

Management Discussion and Analysis

The Placing Agent has successfully introduced Asia Pacific Resources Development Investment Limited (the “Investor”), the only potential investor who has expressed interest in subscribing for the new shares and convertible bonds of the Company under the Placing Agreement (as supplemented by the Supplemental Placing Document). After the negotiation on the commercial terms between the Company and the Investor, on 2 June 2015, the Company entered into the Subscription Agreement (as supplemented by the Supplemental Subscription Document) with the Investor, pursuant to which the Investor has conditionally agreed to subscribe for and the Company has conditionally agreed to (1) allot and issue of 6,000,000,000 new Shares at the Subscription Price of HK\$0.1 per New Share; and (2) issue the Convertible Bonds in the aggregate principal amount of HK\$1,000,000,000, which entitle the holder(s) thereof to subscribe for up to 10,000,000,000 Conversion Shares at the Conversion Price of HK\$0.1 per Conversion Share (subject to adjustments).

Assuming that the Subscription Agreement is completed and the Convertible Bonds are fully converted, the collective interests of the Investor and its parties acting in concert in the voting rights of the Company will increase from nil to a maximum of 78.49%. Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on the Investor to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at a special general meeting by way of poll.

A special general meeting of the Company will be convened and held to consider and, if thought fit, approve (among other matters) the Proposed Placing, the Proposed Subscription and the Whitewash Waiver.

It is expected that, if the June 2015 Placement materialised, it will further enhance and strengthen the financial position of the Group. With a more solid and sound financial position, the Group will be in a better position to seek and capture better quality investment opportunities in the future. At the same time, management will continue to strengthen its operations within other existing businesses of the Group.

The completion of the Subscription Agreement is conditional upon satisfaction of certain conditions precedent, which included but not limited to not being regarded as a cash company under Rule 14.82 of the Listing Rules on completion of the Subscription Agreement. Hence, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders of the Company and investors are advised to exercise extreme caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

Management Discussion and Analysis

Charges on Assets

As at 30 June 2015, none of the Group's assets was pledged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2015, the Group's major assets and liabilities were denominated in the functional currencies of the respective group entities. The Group had no material exposure to foreign exchange fluctuation.

Liquidity and Financial Resources

Following February 2015 Placement, the Group has a strong financial position with cash and cash equivalents of approximately HK\$89,804,000 (31 December 2014: approximately HK\$25,221,000) as at 30 June 2015. As at 30 June 2015, the Group had net current assets of approximately HK\$85,081,000 (31 December 2014: net current liabilities of approximately HK\$13,615,000), and net assets of approximately HK\$85,802,000 (31 December 2014: net liabilities of approximately HK\$8,994,000) respectively.

As at 30 June 2015, there is an advance of unsecured nature in the amount of HK\$8,150,000 (31 December 2014: HK\$35,000,000) provided by a shareholder to the Company on an interest free basis and repayable on demand, and the shareholder's advance is subsequently settled in July 2015. The Group had no bank and other borrowing as at 30 June 2015. The Group's gearing ratio, calculated using the total borrowings as a percentage of total shareholders' funds as basis, was 0.095 as at 30 June 2015.

Capital Expenditure

During the Interim Period, additions to the Group's property, plant and equipment amounted to approximately HK\$1,173,000 (2014: approximately HK\$1,849,000). The additions to the Group's property, plant and equipment for the year ended 31 December 2014 amounted to approximately HK\$3,275,000.

As at 30 June 2015, the Group has no material capital expenditure commitment.

Human Resources

As at 30 June 2015, the Group had 14 employees in Hong Kong and 67 employees in Taiwan. Other than the competitive remuneration package offered to the employees, share options may also be granted to the selected employees based on the Group's performance. Details of the share options being granted and outstanding under the share option scheme are set out in the section "Share Option Scheme" on page 28.

Management Discussion and Analysis

Future Prospect

In view of the highly competitive business environment in retailing garments and with reference to the past poor financial performance of the Group, the Company has been actively exploring other suitable opportunities to diversify its business. During the Interim Period, the Group has initiated two new businesses, namely loan financing services business and trading business.

The two new businesses are in their startup phase and the Group expect contribution from the new segments will be more significant in the second half of the year.

In addition, the Directors are currently evaluating the performance of the retailing garment business and the Directors aim at further reducing the operating losses of retailing garment business by various means in order to improve the overall financial performance of the Group.

The Group will continue to identify more business and investment opportunities to diversify its business and achieve a financial growth to maximize Shareholders' investment value.

By order of the Board of Directors

Wong Lik Ping

Chairman

Hong Kong, 28 August 2015

Condensed Consolidated Financial Statements

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2015 together with the comparative figures.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	22,440	40,885
Cost of sales		<u>(12,076)</u>	<u>(16,243)</u>
Gross profit		10,364	24,642
Other income, gain and loss		(1,656)	55
Selling and distribution expenses		(15,099)	(22,762)
Administrative expenses		(11,691)	(10,357)
Gain on disposal of subsidiaries	14	444	–
Loss on disposal of a joint venture	14	<u>(93)</u>	<u>–</u>
Loss before taxation	5	(17,731)	(8,422)
Income tax expense	4	<u>(3)</u>	<u>–</u>
Loss for the period attributable to owners of the Company		<u>(17,734)</u>	<u>(8,422)</u>
Other comprehensive (expense) income:			
– item that has been reclassified to profit or loss:			
Reclassification adjustment of translation reserve on disposal of interests in foreign operations		115	–
– items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		<u>(2,057)</u>	<u>579</u>
Total other comprehensive (expense) income for the period, net of tax		<u>(1,942)</u>	<u>579</u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(19,676)</u>	<u>(7,843)</u>
Loss per share	6		
Basic and diluted		<u>HK(0.43) cents</u>	<u>HK(0.23) cents</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	721	4,621
Interest in a joint venture		–	–
Loan to a joint venture		–	–
		<u>721</u>	<u>4,621</u>
Current assets			
Inventories		1,226	9,434
Trade receivables	9	4,460	3,205
Deposits, prepayments and other receivables		2,746	5,170
Loan to customer	10	5,000	–
Bank balances and cash		89,804	25,221
		<u>103,236</u>	<u>43,030</u>
Current liabilities			
Trade payables	11	5,638	17,377
Other payables and accrued charges		4,357	4,261
Dividend payable		7	7
Tax payable		3	–
Loans from a shareholder	12	8,150	35,000
		<u>18,155</u>	<u>56,645</u>
Net current assets (liabilities)		<u>85,081</u>	<u>(13,615)</u>
Total assets less current liabilities		<u>85,802</u>	<u>(8,994)</u>
Capital and reserves			
Share capital	13	10,965	9,140
Reserves (deficit)		74,837	(18,134)
Equity attributable to owners of the Company		<u>85,802</u>	<u>(8,994)</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2014 (audited)	9,140	69,825	99,297	(5,311)	(160,558)	12,393
Loss for the period	-	-	-	-	(8,422)	(8,422)
Other comprehensive income for the period						
- Exchange differences arising on translating foreign operations	-	-	-	579	-	579
At 30 June 2014 (unaudited)	<u>9,140</u>	<u>69,825</u>	<u>99,297</u>	<u>(4,732)</u>	<u>(168,980)</u>	<u>4,550</u>
At 1 January 2015 (audited)	9,140	69,825	83,161	(4,516)	(166,604)	(8,994)
Loss for the period	-	-	-	-	(17,734)	(17,734)
Issue of new shares on placement (note 13)	1,825	112,647	-	-	-	114,472
Other comprehensive expense for the period						
- Exchange differences arising on translating foreign operations	-	-	-	(2,057)	-	(2,057)
- Reclassification adjustment of translation reserve on disposal of interests in foreign operations	-	-	-	115	-	115
Lapse of share options	-	-	(4,965)	-	4,965	-
At 30 June 2015 (unaudited)	<u>10,965</u>	<u>182,472</u>	<u>78,196</u>	<u>(6,458)</u>	<u>(179,373)</u>	<u>85,802</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Operating activities			
Net cash used in operating activities		<u>(22,995)</u>	<u>(15,677)</u>
Investing activities			
Purchase of property, plant and equipment	8	(1,173)	(1,849)
Proceeds from disposal of property, plant and equipment		161	–
Payment to a joint venture		(103)	–
Proceeds from disposal of subsidiaries and a joint venture, net of cash disposed	14	<u>3,077</u>	<u>–</u>
Net cash from (used in) investing activities		<u>1,962</u>	<u>(1,849)</u>
Financing activities			
Proceeds from issue of new shares on placement		114,472	–
(Repayment of) proceeds from loans from a shareholder		<u>(26,850)</u>	<u>20,000</u>
Net cash from financing activities		<u>87,622</u>	<u>20,000</u>
Net increase in cash and cash equivalents		66,589	2,474
Cash and cash equivalents at beginning of the period		25,221	29,712
Effect of foreign exchange rate changes		<u>(2,006)</u>	<u>579</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash		<u>89,804</u>	<u>32,765</u>

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. Basis of Preparation

This unaudited condensed consolidated financial statements of Theme International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 28 August 2015.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of a condensed consolidated financial statements in conformity with HKAS 34 requires 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.

This condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Financial Statements

1. Basis of Preparation (continued)

The financial information relating to the financial year ended 31 December 2014 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

The condensed consolidated financial statements have been prepared on a going concern basis.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Condensed Consolidated Financial Statements

3. Revenue and Segment Information

Revenue represents the aggregate of the net amounts received and receivable from third parties, less sales related tax, returns and allowance, for the period, and is analysed as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Retailing of garments	18,932	40,885
Loan interest income	130	–
Distribution and trading	3,378	–
	<u>22,440</u>	<u>40,885</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 three reportable segments (2014: one) for the six months ended 30 June 2015. 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:

- Retailing of garments – operation of retail outlets and department store counters in Taiwan;
- Loan financing services – provision of funds and financial services to third parties in Hong Kong; and
- Distribution and trading – trading of chemical materials, commodities and organic food in Hong Kong.

In determining the Group's geographical segments, revenues and results are based on the location in which the customer is located.

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (continued)

Segment information about these reportable segments is presented below:

For the six months ended 30 June 2015 (unaudited)

	Retailing of garments HK\$'000	Loan financing services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
Revenue – external	<u>18,932</u>	<u>130</u>	<u>3,378</u>	<u>22,440</u>
Segment results	<u>(11,403)</u>	<u>(1,322)</u>	<u>26</u>	(12,699)
Unallocated corporate income				1
Unallocated corporate expenses				(5,384)
Gain on disposal of subsidiaries				444
Loss on disposal of a joint venture				<u>(93)</u>
Loss before taxation				(17,731)
Income tax expense				<u>(3)</u>
Loss for the period				<u>(17,734)</u>

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (continued)

For the six months ended 30 June 2014 (unaudited)

	Retailing of garments HK\$'000	Consolidated HK\$'000
Revenue – external	<u>40,885</u>	<u>40,885</u>
Segment results	<u>(1,876)</u>	(1,876)
Unallocated corporate expenses		<u>(6,546)</u>
Loss before taxation		(8,422)
Income tax expense		<u>–</u>
Loss for the period		<u>(8,422)</u>

4. Income Tax Expense

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax	<u>3</u>	<u>–</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 30 June 2015.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 as the Company and its subsidiaries had no assessable profit arising in Hong Kong.

Taxation arising in other jurisdictions are calculated at prevailing tax rates in the relevant jurisdictions. The prevailing profit tax rate in Taiwan is 17%. No provision for Taiwan profit tax in current and prior period is made as the Company and its subsidiaries have no assessable profit arising in Taiwan.

Condensed Consolidated Financial Statements

5. Loss before Taxation

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Interest income on bank deposits	(8)	–
Write-back for obsolete inventories	(876)	(838)
Depreciation of property, plant and equipment	1,121	1,398
Loss on disposal of property, plant and equipment	1,611	59
Net foreign exchange loss	5	20
Operating lease rentals (including contingent rents in respect of rented premises (<i>note a</i>))	6,256	10,543
Directors' remuneration (<i>note b</i>)	1,241	1,168
Other staff costs (<i>note c</i>)	10,483	9,570

Notes:

- (a) The contingent rents are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified levels.
- (b) Directors' emoluments include fees, remunerations and retirement benefits scheme contributions.
- (c) Other staff costs include salaries, allowances and retirement benefits scheme contributions.

Condensed Consolidated Financial Statements

6. Loss per Share

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Losses		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<u>(17,734)</u>	<u>(8,422)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,168,030</u>	<u>3,655,820</u>

Diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share.

7. Interim Dividend

No dividends were paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend.

8. Movements in Property, Plant and Equipment

During the six months ended 30 June 2015, additions to the Group's property, plant and equipment amounted to HK\$1,173,000 (2014: HK\$1,849,000). Items of property, plant and equipment with a net book value of HK\$1,763,000 (2014: HK\$59,000) were disposed of (excluding property, plant and equipment disposed as part of disposal of subsidiaries as disclosed in note 14) during the six months ended 30 June 2015, resulting in a loss on disposal of HK\$1,611,000 (2014: HK\$59,000).

Condensed Consolidated Financial Statements

9. Trade Receivables

Trade receivables from third parties mainly represent receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers. The average credit period granted to the department stores is 60 days (2014: 60 days).

The following aging analysis of trade receivables, net of allowance for bad and doubtful debts, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 60 days	2,409	3,205
61 to 180 days	2,051	—
	<u>4,460</u>	<u>3,205</u>

10. Loan to Customer

On 27 April 2015, Asia Develop Limited, a wholly owned subsidiary of the Group, entered into a loan agreement with an independent third party and agreed to grant a one year term loan with principal amount of HK\$5,000,000 at fixed interest rate of 1.3% per month and interest is repayable quarterly. The loan is secured by a personal guarantee. At initial recognition, the Group determined the fair value of the loan receivable equivalent to the principal amount.

Condensed Consolidated Financial Statements

11. Trade Payables

The following is an aging analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 90 days	1,369	3,160
91 to 180 days	15	346
181 to 360 days	4,254	6,297
Over 360 days	—	7,574
	<u>5,638</u>	<u>17,377</u>

12. Loans from a Shareholder

The loans from a shareholder of the Company are unsecured, non-interest bearing and repayable on demand. The shareholder is also a director of the Company. The balance as at 30 June 2015 is HK\$8,150,000 (31 December 2014: HK\$35,000,000) and the amount was subsequently settled in July 2015.

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13. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares, with par value of HK\$0.0025 per share		
Authorised:		
At 1 January 2014, 31 December 2014 and 30 June 2015	<u>200,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2014 and 31 December 2014 (audited)	3,655,820	9,140
Issue of new shares on placement	<u>730,000</u>	<u>1,825</u>
At 30 June 2015 (unaudited)	<u>4,385,820</u>	<u>10,965</u>

On 24 February 2015, 730,000,000 new ordinary shares of par value HK\$0.0025 each of the Company were issued under a share placement (the "**February 2015 Placement**") at a placing price of HK\$0.161 each at an aggregate consideration of approximately HK\$114,472,000 (net of issuing expenses of approximately HK\$3,058,000), of which approximately HK\$1,825,000 was credited to share capital and the remaining balance of approximately HK\$112,647,000 was credited to the share premium account. Details of the February 2015 Placement were set out in the Company's announcements dated 6 February 2015 and 24 February 2015.

On 2 June 2015, the Company entered into a conditional placing agreement and a conditional subscription agreement (the "**June 2015 Placement**"). The June 2015 Placement is not completed and is conditional upon the satisfaction of certain conditions precedents. Details of the June 2015 Placement were set out in the "Significant Events" section of this Interim Report and the Company's announcements dated 30 July 2015 and 28 August 2015.

14. Disposal of subsidiaries and a joint venture

On 9 April 2015, the Group disposed of: (i) its 100% equity interests in City Code Investments Limited ("**City Code**") and its subsidiary Zhongshan City Hewan Stone Technology Limited* (中山市合萬石材科技有限公司) (collectively referred to as the "**City Code Group**"); (ii) its aggregate advance owed by the City Code Group (the "**City Code Group Shareholder's Loan**") to the Group; (iii) its 50% equity interest in Crown Age Investments Limited ("**Crown Age**") and its subsidiary Beijing Zhufeng Tiangong Jade Technology Development Limited* (北京珠峰天宮玉石科技發展

Condensed Consolidated Financial Statements

14. Disposal of subsidiaries and a joint venture (continued)

有限公司) (collectively referred to as the “Crown Age Group”); and (iv) its aggregate advance owed by the Crown Age Group (the “Crown Age Group Shareholder’s Loan”) to the Group, to Mr. Wong Lik Ping, chairman, executive director and a shareholder of the Company at an aggregate cash consideration of HK\$6,850,000 (the “Disposal”). Further details of the Disposal are set out in the announcement of the Company dated 9 April 2015. The net assets of the City Code Group and the Crown Age Group (at 50% sharing) at the date of the Disposal were as follows:

	City Code Group HK\$'000 (unaudited)	Crown Age Group HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Property, plant and equipment	2,225	–	2,225
Inventories	482	–	482
Deposits, prepayments and other receivables	44	–	44
Cash and cash equivalents	3,759	–	3,759
Other payables and accrued charges	(243)	–	(243)
The City Code Group Shareholder’s Loan	(8,411)	–	(8,411)
Interest in a joint venture	–	103	103
	<u>–</u>	<u>103</u>	<u>103</u>
Net (liabilities) assets of the City Code Group and the Crown Age Group	(2,144)	103	(2,041)
Assignment of the City Code Group Shareholder’s Loan	8,411	–	8,411
Reclassification adjustment of translation reserve on disposal of interests in foreign operations	115	–	115
Direct costs incurred for the Disposal	14	–	14
Gain (loss) on disposal of subsidiaries and a joint venture	444	(93)	351
	<u>444</u>	<u>(93)</u>	<u>351</u>
Total cash consideration received	<u>6,840</u>	<u>10</u>	<u>6,850</u>
Net cash inflow arising on Disposal:			
Cash consideration	6,840	10	6,850
Costs directly attributable to the Disposal	(14)	–	(14)
Cash and cash equivalents disposed of	(3,759)	–	(3,759)
	<u>3,067</u>	<u>10</u>	<u>3,077</u>

* for identification purpose only

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15. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of rented premises and equipment which fall due as follows:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within one year	1,476	7,503
In the second to fifth year inclusive	599	6,431
	<u>2,075</u>	<u>13,934</u>

Leases are negotiated for terms ranging from one to five years and rentals are fixed over the lease terms. In addition to the fixed rentals which are disclosed above, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percentage of the gross sales of the relevant shops.

16. Related Party Transactions

Except for the related party transactions disclosed elsewhere in the financial statements, the Group has paid total emoluments of HK\$1,117,000 and HK\$1,048,000 to key management personnel during the six months ended 30 June 2015 and 2014 respectively.

17. Event subsequent to the end of the Reporting Period

On 28 July 2015, the Group has fully repaid the outstanding loans granted to the Company by a shareholder and executive director of the Company. For details, please refer to note 12.

Other Information

Compliance with Corporate Governance Code

Save and except for Code Provisions A.6.7, E.1.2 and A.2.1 as detailed below, the Company has complied with all the Code Provisions and to a certain extent of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 (the “**CG Code**”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the period for the six months ended 30 June 2015.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Kee Wah Sze (former independent non-executive director resigned on 31 May 2015), Mr. Goh Choo Hwee (independent non-executive director), Mr. To Yan Ming Edmond (former independent non-executive director resigned on 31 May 2015) and Mr. Huang Bin (non-executive director) were absent from the annual general meeting held on 17 April 2015 (“**2015 AGM**”) due to their other business commitments.

Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board was unable to attend the 2015 AGM due to his other business commitments.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (the “**CEO**”) should be separated and should not be performed by the same individual. Given the current corporate structure, the role of CEO is temporarily handled by the Chairman. However, the Board considers that it is appropriate and in the best interests of the Company at the present stage as all major decisions are made in consultation with the Board members and the senior management of the Company. The Board believes that Mr. Wong Lik Ping is able to maintain the continuity of the Company’s policies and the stability of the Company’s operations. The effectiveness of the corporate planning and implementation of corporate strategies and decisions will not be affected. The Board would segregate the roles of the Chairman and CEO when a qualified candidate is appointed as CEO.

Other Information

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months period ended 30 June 2015.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the six months period ended 30 June 2015, the Company had not redeemed any of its securities. Neither the Company nor any of its subsidiaries had purchased nor sold any of the Company’s securities during the six months period ended 30 June 2015.

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 four independent non-executive Directors of the Company, Mr. Chan Chi Ming, Tony (appointed on 22 May 2015), Mr. Wu Shiming (appointed on 22 May 2015), Mr. Chan Pat Lam and Mr. Goh Choo Hwee. 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 six months ended 30 June 2015.

Directors’ and Chief Executives’ Long and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the long positions and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)) which have been 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 and the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules and which have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, were as follows:

Other Information

(i) Long and Short Positions in Shares of the Company

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Wong Lik Ping (Note 1)	Beneficial Owner	6,750,000	0.15%
	Interests of a controlled corporation (Note)	1,069,112,096	24.38%
Ms. Wong Fung Chi (Note 2)	Interests of spouse	1,860,000	0.04%

Notes:

1. Mr. Wong Lik Ping, an executive director of the Company, has a direct interest in 6,750,000 shares of the Company. In addition, Mr. Wong holds the entire share capital of Golden Bright Energy Limited, which in turn holds 1,069,112,096 shares.
2. Ms. Wong Fung Chi's spouse, Mr. Cheng Choi Tak, has interest in 1,860,000 shares of the Company. Accordingly, she is deemed to be interested in 1,860,000 shares which Mr. Cheng Choi Tak is interested in pursuant to the SFO.

(ii) Options to subscribe for ordinary shares of the Company

The directors have been granted unlisted options under the Company's share option scheme, details of which are set out in the section "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2015, none of the directors, chief executives of the Company nor their associates had or was deemed to have any long positions or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Other Information

Discloseable Interests and Short Positions of Persons other than Directors and Chief Executives

As at 30 June 2015, so far as known to the Directors or the chief executives of the Company, the following person is the shareholder (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

Name of shareholder	Number of shares interested (deemed interest)	Approximate percentage of the issued share capital
Asia Pacific Resources Development Investment Limited (the “Investor”)	16,000,000,000	364.81%
Mr. Cheng Kin Ming (“Mr. Cheng”)	16,000,000,000	364.81%

Pursuant to a subscription agreement dated 2 June 2015 (as supplemented by the supplemental placing document) (the “Subscription Agreement”), subject to the conditions precedent set out in the Subscription Agreement, the Company had agreed to (i) allot and issue a maximum of 6,000,000,000 new shares of the Company at the subscription price of HK\$0.1 per new share; and (ii) issue convertible bonds in the aggregate principal amount of HK\$1,000,000,000 which entitle holders thereof to subscribe for up to 10,000,000,000 conversion shares at the conversion price of HK\$0.1 per conversion share (subject to adjustments). The Investor was therefore deemed to be interested in 16,000,000,000 shares of the Company and securities convertible into shares of the Company under the SFO. The Investor is an investment holding company indirectly wholly owned by Mr. Cheng. Mr. Cheng is deemed to be interested in the 16,000,000,000 shares of the Company under the SFO.

For details of the Subscription Agreement, please see the description under the “Significant Events” section of this Interim Report and the Company’s announcements dated 30 July 2015 and 28 August 2015.

Other Information

Share Option Scheme

As at 30 June 2015, the option holders of the Company had the following interest in unlisted options to subscribe for shares of the Company granted under the share option scheme (“Scheme”) within the exercise with par value period. Each option gives the option holder the right to subscribe for one ordinary share with par value of HK\$0.0025 each. No option was granted during the six months period ended 30 June 2015 (2014: Nil). Save as disclosed below, no outstanding options were exercised, cancelled or lapsed under the Scheme during the six months ended 30 June 2015.

Six months ended 30 June 2015

	No. of share options outstanding at the beginning of the period	Reclassified/ lapsed during the period	No. of share options outstanding at the end of period	Grant date	Exercise period	Exercise price
Directors						
Mr. Wong Lik Ping	3,000,000	–	3,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. Huang Bin	3,000,000	–	3,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. Kee Wah Sze (Note 2)	3,000,000	(3,000,000)	–	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. Chan Pat Lam	3,000,000	–	3,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. To Yan Ming Edmond (Note 2)	3,000,000	(3,000,000)	–	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Sub-total	15,000,000	(6,000,000)	9,000,000			
Other Employees	15,500,000	–	15,500,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Others	127,000,000	–	127,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Others (Note 1)	10,000,000	(10,000,000)	–	15 April 2010	15 April 2012– 30 April 2015	HK\$1.7
Others (Note 2)	–	6,000,000	6,000,000	15 April 2010	15 April 2012– 30 November 2016	HK\$1.7
Total	167,500,000	(10,000,000)	157,500,000			

- 10,000,000 share options were granted to Mr. Ma Chi Shing. Mr. Ma Chi Shing resigned as executive director on 31 October 2013. In accordance with the Scheme, the respective share options are exercisable within 18 months from his resignation and were lapsed on 30 April 2015.
- Two directors resigned during the six months period ended 30 June 2015. In accordance with the Scheme, the respective share options are exercisable within 18 months from their resignation.

Other Information

Apart from the Company's share option scheme, during the six months period ended 30 June 2015, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

Changes to Information in Respect of Directors

In the six months ended 30 June 2015 and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

- Ms. Wong Fung Chi was appointed as executive director of the Company effective from 22 May 2015.
- Mr. Chan Chi Ming, Tony and Mr. Wu Shiming were appointed as independent non-executive directors of the Company effective from 22 May 2015.
- Mr. Chan Chi Ming, Tony was appointed as the chairman of the audit committee, remuneration committee and nomination committee of the Company effective from 31 May 2015.
- Mr. Wu Shiming was appointed as a member of the audit committee, remuneration committee and nomination committee of the Company effective from 31 May 2015.
- Mr. To Yan Ming Edmond has resigned as an independent non-executive director and ceased to act as the chairman of the audit committee, remuneration committee and nomination committee of the Company effective from 31 May 2015.
- Mr. Kee Wah Sze has resigned as an independent non-executive director and ceased to act as a member of the audit committee, remuneration committee and nomination committee of the Company effective from 31 May 2015.
- Mr. Wong Hok Bun Mario was appointed as a joint company secretary and an Authorised Representative of the Company effective from 14 July 2015.
- Ms. Wong Fung Chi was appointed as an Authorised Representative of the Company with effect from 14 July 2015. Following the appointment of Authorised Representatives of the Company, Mr. Liu Bing and Mr. Fong Chi Wing have resigned as Authorised Representatives of the Company with effect from 14 July 2015.
- Mr. Fong Chi Wing has resigned as a joint company secretary of the Company effective from 31 August 2015 and Mr. Wong Hok Bun Mario, the other joint company secretary has acted as the sole company secretary of the Company from 31 August 2015.

Further details are set out in the Company's announcements dated 22 May 2015, 28 May 2015, 14 July 2015 and 31 August 2015 respectively.

Other than the information disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Lik Ping (*Chairman*)

Mr. Liu Bing

Ms. Wong Fung Chi (*appointed on 22 May 2015*)

Non-executive Director

Mr. Huang Bin

Independent Non-executive Directors

Mr. Chan Pat Lam

Mr. Goh Choo Hwee

Mr. Chan Chi Ming, Tony (*appointed on 22 May 2015*)

Mr. Wu Shiming (*appointed on 22 May 2015*)

Mr. To Yan Ming Edmond (*resigned on 31 May 2015*)

Mr. Kee Wah Sze (*resigned on 31 May 2015*)

Audit Committee

Mr. Chan Chi Ming, Tony (*Chairman*) (*appointed on 31 May 2015*)

Mr. Wu Shiming (*appointed on 31 May 2015*)

Mr. Chan Pat Lam

Mr. Goh Choo Hwee

Mr. To Yan Ming Edmond (*resigned on 31 May 2015*)

Mr. Kee Wah Sze (*resigned on 31 May 2015*)

Remuneration Committee

Mr. Chan Chi Ming, Tony (*Chairman*) (*appointed on 31 May 2015*)

Mr. Wu Shiming (*appointed on 31 May 2015*)

Mr. Chan Pat Lam

Mr. Goh Choo Hwee

Mr. To Yan Ming Edmond (*resigned on 31 May 2015*)

Mr. Kee Wah Sze (*resigned on 31 May 2015*)

Corporate Information

Nomination Committee

Mr. Chan Chi Ming, Tony (*Chairman*) (*appointed on 31 May 2015*)

Mr. Wu Shiming (*appointed on 31 May 2015*)

Mr. Chan Pat Lam

Mr. Goh Choo Hwee

Mr. Liu Bing

Mr. To Yan Ming Edmond (*resigned on 31 May 2015*)

Mr. Kee Wah Sze (*resigned on 31 May 2015*)

COMPANY SECRETARY

Mr. Fong Chi Wing (*resigned on 31 August 2015*)

Mr. Wong Hok Bun Mario (*appointed on 14 July 2015*)

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

LEGAL ADVISERS ON HONG KONG LAW

Angela Ho & Associates

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The Hongkong and Shanghai Banking Corporation Limited
Chiyu Banking Corporation Ltd.

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

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