

Interim Report
2015



Madex International (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00231)

This report, in both English and Chinese versions, is available on the Company's website at <http://www.madex.com.hk> (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mr. Zhang Guodong
Ms. Liang Huixin

Non-executive Director:

Mr. William Keith Jacobsen

Independent Non-executive Directors:

Dr. Dong Ansheng
Mr. Hung Hing Man
Mr. Hong Sze Lung

Audit Committee

Mr. Hung Hing Man
(Committee Chairman)
Dr. Dong Ansheng
Mr. Hong Sze Lung

Remuneration Committee

Dr. Dong Ansheng
(Committee Chairman)
Ms. Liang Huixin
Mr. Hung Hing Man
Mr. Hong Sze Lung

Nomination Committee

Dr. Dong Ansheng
(Committee Chairman)
Ms. Liang Huixin
Mr. Hung Hing Man
Mr. Hong Sze Lung

Authorised Representatives

Mr. Zhang Guodong
Mr. Chan Kwan Pak

Company Secretary

Mr. Chan Kwan Pak

Auditors

Cheng & Cheng Limited
10/F., Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Principal Bankers

Bank of Communications Co. Ltd.
(Hong Kong Branch)
Bank of East Asia, Limited

Principal Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrar and Transfer Office

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

Registered Office

The Belvedere Building
69 Pitts Bay Road
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Bermuda

Head Office and Principal Place of Business

Suite 3005, 30/F, West Tower
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168-200 Connaught Road Central
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Website

www.madex.com.hk

Stock Code

00231

The board (the "Board") of directors (the "Directors") of Madex International (Holdings) Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended	
		30.6.2015 (Unaudited) HK\$'000	30.6.2014 (Unaudited) HK\$'000
Revenue	3	16,158	19,444
Cost of sales		(3,866)	(4,164)
Gross profit		12,292	15,280
Other revenue		3,289	1,588
Loss on disposal of subsidiaries	20	-	(33,370)
Administrative expenses		(36,010)	(51,821)
Finance costs	4	(40,186)	(24,091)
Fair value change on investment properties	9	(149,958)	(142,449)
Fair value changes on financial assets at fair value through profit or loss		2,800	-
Fair value change on derivative financial assets		-	(3,576)
Fair value change on derivative financial liabilities		-	8,007
Fair value change on contingent consideration	18	1,206	8,433
Share of loss of a joint venture		(1)	-
Loss before tax		(206,568)	(221,999)
Income tax credit	5	37,490	35,612
Loss for the period	6	(169,078)	(186,387)
Loss for the period attributable to owners of the Company		(169,078)	(186,387)
Loss per share	8	(1.254) cents	(1.574) cents
Basic and diluted			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Six months ended	
		30.6.2015 (Unaudited) HK\$'000	30.6.2014 (Unaudited) HK\$'000
Loss for the period		(169,078)	(186,387)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences arising on translating of financial statements of foreign operations		11,401	(43,482)
– Reclassification from equity to profit or loss on disposals of subsidiaries	20	-	(31,968)
Other comprehensive income/(expense) for the period		11,401	(75,450)
Total comprehensive expense for the period		(157,677)	(261,837)
Total comprehensive expense attributable to owners of the Company		(157,677)	(261,837)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30.6.2015 (Unaudited) HK\$'000	31.12.2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		32,000	31,825
Investment properties	9	1,947,566	2,090,000
Intangible asset	10	33,631	35,342
Interest in a joint venture		47,091	47,092
		2,060,288	2,204,259
Currents assets			
Inventories	11	10,785	–
Trade and other receivables	12	396,032	420,940
Derivative financial assets	17	–	12,590
Financial assets at fair value through profit or loss	13	1,880	–
Pledged bank balances		9,363	157,731
Bank balances and cash		28,515	149,576
		446,575	740,837
Current liabilities			
Other payables	14	266,249	385,418
Borrowings	15	276,655	264,548
Tax liabilities		210	210
Amount due to a related party	16	1,533	1,533
Amount due to a shareholder	16	30,437	88,536
Amount due to a joint venture	16	49,476	49,476
Derivative financial liabilities	17	–	35,780
		624,560	825,501
Net current liabilities		(177,985)	(84,664)
Total assets less current liabilities		1,882,303	2,119,595

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

	<i>Note</i>	30.6.2015 (Unaudited) HK\$'000	31.12.2014 (Audited) HK\$'000
Capital and reserves			
Share capital	19	683,111	661,253
Reserves		211,008	296,008
		894,119	957,261
Non-current liabilities			
Borrowings	15	574,773	635,803
Deferred tax liabilities		154,700	199,601
Convertible notes	17	-	67,013
Provision for contingent consideration	18	258,711	259,917
		988,184	1,162,334
		1,882,303	2,119,595

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2014	592,132	921,801	52	127,845	(291,904)	1,349,926
Loss for the year	-	-	-	-	(609,856)	(609,856)
Exchange differences arising on translating of financial statements of foreign operations	-	-	-	17,474	-	17,474
Reclassification from equity to profit or loss on disposals of subsidiaries	-	-	-	(31,968)	-	(31,968)
Total comprehensive expense for the year	-	-	-	(14,494)	(609,856)	(624,350)
Converted convertible notes into shares	69,121	162,564	-	-	-	231,685
At 31 December 2014 and 1 January 2015	661,253	1,084,365	52	113,351	(901,760)	957,261
Loss for the period	-	-	-	-	(169,078)	(169,078)
Exchange differences arising on translating of financial statements of foreign operations	-	-	-	11,401	-	11,401
Total comprehensive (expense)/income for the period	-	-	-	11,401	(169,078)	(157,677)
Converted convertible notes into shares	21,858	72,677	-	-	-	94,535
At 30 June 2015	683,111	1,157,042	52	124,752	(1,070,838)	894,119

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)
 FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2014	592,132	921,801	52	127,845	(291,904)	1,349,926
Loss for the period	-	-	-	-	(186,387)	(186,387)
Exchange differences arising on translating of financial statements of foreign operations	-	-	-	(43,482)	-	(43,482)
Reclassification from equity to profit or loss on disposal of subsidiaries	-	-	-	(31,968)	-	(31,968)
Total comprehensive expense for the period	-	-	-	(75,450)	(186,387)	(261,837)
At 30 June 2014	592,132	921,801	52	52,395	(478,291)	1,088,089

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended	
	30.6.2015 (Unaudited) HK\$'000	30.6.2014 (Unaudited) HK\$'000
Net cash used in operating activities	(125,208)	(76,907)
Net cash generated from investing activities	145,833	86,533
Net cash used in financing activities	(143,994)	(22,730)
Net decrease in cash and cash equivalents	(123,369)	(13,104)
Cash and cash equivalents at beginning of the period	149,576	41,283
Effect of foreign exchange rate changes	2,308	(2,122)
Cash and cash equivalents at end of the period	28,515	26,057

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2015

1. Basis of preparation

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

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments of Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Segment information

The Group's operating segments, based on information reported to the Directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances..

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Trading of goods

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period.

	Property leasing		Right to receive royalty fee		Trading of goods		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	9,567	14,649	3,850	4,795	2,741	–	16,158	19,444
Segment (loss)/profit	(157,439)	(153,868)	327	(1,639)	(838)	–	(157,950)	(155,507)
Unallocated corporate expenses							(15,519)	(43,854)
Unallocated other revenue							7,088	1,453
Share of loss of a joint venture							(1)	–
Finance costs (note 4)							(40,186)	(24,091)
Loss before tax							(206,568)	(221,999)

4. Finance costs

	Six months ended	
	30.6.2015 HK\$'000	30.6.2014 <i>HK\$'000</i>
Interest on:		
– borrowings wholly repayable within five years	33,677	16,442
– borrowings wholly repayable over five years	2,177	5,180
– convertible notes (<i>note 17</i>)	4,332	2,469
	40,186	24,091

5. Income tax credit

No provision for Hong Kong Profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (1.1.2014 to 30.6.2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30.6.2015 HK\$'000	30.6.2014 <i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax	37,490	35,612
	37,490	35,612

6. Loss for the period

Loss for the period has been arrived at after charging/(crediting):

	Six months ended	
	30.6.2015 HK\$'000	30.6.2014 <i>HK\$'000</i>
Amortisation of an intangible asset (included in cost of sales)	1,753	1,753
Depreciation for property, plant and equipment	932	793
Total depreciation and amortisation	2,685	2,546
Interest income	(3,082)	(1,453)

7. Dividend

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015 (1.1.2014 to 30.6.2014: Nil).

8. Loss per share

(a) Basic loss per share

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

	Six months ended	
	30.6.2015 HK\$'000	30.6.2014 <i>HK\$'000</i>
Loss for the period attributable to owners of the Company	(169,078)	(186,387)
	30.6.2015 '000	30.6.2014 <i>'000</i>
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	13,225,076	11,842,647
Effect of shares issued upon conversion of convertible notes	256,015	—
Weighted average number of ordinary shares at 30 June	13,481,091	11,842,647

8. Loss per share (continued)
(b) Diluted loss per share

The calculation of the diluted loss per share are based on the following data:

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(169,078)	(186,387)
After tax effect of effective interest on the liability component of convertible notes	2,013	2,062
Loss for the period attributable to owners of the Company (diluted)	(167,065)	(184,325)
	30.6.2015	30.6.2014
	'000	'000
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	13,481,091	11,842,647
Effect of the dilutive potential ordinary shares	-	390,625
Weighted average number of ordinary shares used in the calculation of diluted loss per share	13,481,091	12,233,272

The diluted loss per share for the period ended 30 June 2015 is the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding.

The diluted loss per share for the period ended 30 June 2014 is equivalent to the basic loss per share as the potential shares arising from the conversion of the convertible bonds would decrease the loss per share of the Group for the period, and is regarded as anti-dilutive.

9. Investment properties

Completed investment properties in the PRC

HK\$'000

Fair value

As at 1 January 2014	2,974,424
Additions	10,249
Exchange adjustments	(5,586)
Derecognised on disposal of subsidiaries (note 20)	(436,868)
Decrease in fair value recognized in profit or loss	(452,219)
As at 31 December 2014 and 1 January 2015	2,090,000
Additions	4,915
Exchange adjustments	2,609
Decrease in fair value recognized in profit or loss	(149,958)
As at 30 June 2015	1,947,566

The Group's investment properties as at 30 June 2015 and 31 December 2014 were situated in the PRC and were held under medium-term lease. As at 1 January 2014, there were 2 investment properties held by the Group, which were located at Harbin (the "Harbin Property") and Chongqing (the "Chongqing Property"). The Harbin Property was disposed of upon the disposal of subsidiaries during the year ended 31 December 2014.

The fair value of the Chongqing Property as at 30 June 2015 and 31 December 2014 were arrived at on the basis of valuations carried out by Assets Appraisals Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. The Chongqing Property was valued by the discounted cash flow method and where appropriate, the comparison method. Discounted cash flow approach is based on the present value of future economic benefits expected to be derived from the properties. The value of the Chongqing Property is developed by discounting future debt free cash flows available for distribution to the owners of the property to their present value at market derived rates of return appropriate for the risks and hazards of holding similar assets. Comparison method is based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

10. Intangible asset

	30.6.2015 HK\$'000	31.12.2014 <i>HK\$'000</i>
At 1 January	35,342	39,842
Exchange adjustments	42	(875)
Amortisation for the period	(1,753)	(3,625)
At end of the period	33,631	35,342

11. Inventories

	30.6.2015 HK\$'000	31.12.2014 <i>HK\$'000</i>
Goods held for sale	10,785	—

12. Trade and other receivables

At 30 June 2015, included in trade and other receivables are trade receivables of approximately HK\$6,381,000 (31.12.2014: approximately HK\$10,426,000).

The credit period granted to the Group's trade receivables generally ranges from 30 days to 120 days. The following is an aged analysis of trade receivable net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	30.6.2015 HK\$'000	31.12.2014 <i>HK\$'000</i>
Within 3 months	2,653	2,681
4 to 6 months	2,272	2,681
Over 6 months	1,456	5,064
Total	6,381	10,426

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered full recoverable. The Group does not hold any collateral over these balances.

13. Financial Assets at fair value through profit or loss

	30.6.2015 HK\$'000	31.12.2014 <i>HK\$'000</i>
Financial assets at fair value through profit or loss held for trading are analysed as follows:		
Equity securities listed in Hong Kong	1,880	—

At the reporting date, the fair value of listed securities is determined by the quoted market bid price available on the relevant exchange. The classification of the measurement of all the listed equity securities is Level 1 under the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

14. Other payables

	30.6.2015 HK\$'000	31.12.2014 <i>HK\$'000</i>
Construction cost payables, other payables and accrued charges	133,668	268,945
Outstanding consideration for acquisition of an intangible asset through acquisition of a subsidiary	10,000	10,000
Refundable deposits received	111,485	95,743
Rental received in advance	11,096	10,730
	266,249	385,418

15. Borrowings

During the current period, no new loans were obtained by the Group (1.1.2014 to 30.6.2014: obtained new other borrowings of approximately HK\$49,875,000 and issued debentures to independent third parties of HK\$40,000,000) and repaid bank borrowings of approximately HK\$50,626,000 (1.1.2014 to 30.6.2014: repaid bank and other borrowings of approximately HK\$40,639,000 and HK\$32,668,000 respectively).

The new other borrowings as obtained during the period ended 30 June 2014 were denominated in RMB and interest bearing at 15% per annum and repayable within 1 year. The debentures issued during the period ended 30 June 2014 were denominated in HK\$ and interest bearing at 6% per annum and wholly repayable by 84 months after the date of issue.

16. Amount due to a related party/a shareholder/a joint venture

During the period ended 30 June 2015, the Group obtained a new loan from a shareholder amounting to HK\$10,000,000. The new loan is unsecured, interest bearing at 5% per annum and repayable within 12 months.

Except for the above, the amounts due to a related party/a shareholder/a joint venture are unsecured, interest free and repayable on demand.

17. Convertible notes and derivative financial instruments

On 7 July 2011, the Company issued zero-coupon convertible note ("First Convertible Note") with a nominal value of approximately HK\$502,521,000 as part of the consideration for the acquisition of various companies ("Acquired Group") from Profit China Investments Development Limited ("Profit China"), a company which is beneficially wholly owned by a controlling shareholder of the Company Mr. Liang Wenguan ("Mr. Liang"). The Acquired Group mainly holds the Chongqing Property and other assets and liabilities. The First Convertible Note is denominated in Hong Kong dollars. The First Convertible Note entitle the holders to convert them into ordinary shares of the Company at any time falling six months after the date of issue of the First Convertible Note and their settlement date on 6 July 2016, being the fifth anniversary of the date of its issue, in multiples of HK\$500,000 at a conversion price of HK\$0.128 per convertible share subject to adjustments in certain events. During the year ended 31 December 2014, the First Convertible Note noteholders converted all the First Convertible Note into 390,625,000 ordinary shares of HK0.05 each in the Company at the conversion price of HK\$0.128 per share.

On 28 October 2014, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK\$261,500,000 (the "2014 Convertible Note"). The 2014 Convertible Note entitle the holders to convert them into ordinary shares of the Company at any time after the date of issue of the 2014 Convertible Note and their maturity date on 27 April 2016, being eighteen month from the date of its issue, in multiples of HK\$100,000 at a conversion price of HK\$0.183 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank *pari passu* in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 27 April 2016 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 27 April 2016. During the year ended 31 December 2014, 2014 Convertible Note noteholders converted part of the 2014 Convertible Note into 991,803,280 ordinary shares of HK0.05 each in the Company at the conversion price of HK\$0.183 per share.

During the period ended 30 June 2015, the outstanding 2014 Convertible Note amounting to approximately HK\$67,013,000 were fully converted by the noteholders into 437,158,470 ordinary shares of HK\$0.05 each in the Company at the conversion price of HK\$0.183 per share.

17. Convertible notes and derivative financial instruments (continued)

As at 31 December 2014, the 2014 Convertible Note was valued by the Directors with reference to valuation report issued by Asset Appraisal.

The principal amounts of the First Convertible Note and the 2014 Convertible Note are divided into straight debt component, embedded conversion option and early redemption option on initial recognition. The debt component is recognised in the consolidated statement of financial position as non-current liability (the holders of the First Convertible Note and the 2014 Convertible Note cannot require the Company to settle the convertible notes before the maturity of the convertible notes). The embedded conversion option is recognised in the consolidated statement of financial position as current liabilities. The early redemption option embedded in the First Convertible Note and the 2014 Convertible Note is recognised in the consolidated statement of financial position as current assets.

At initial recognition, the debt components are measured at fair value and subsequently measured at amortised cost. The effective interest rate of the debt component of the 2014 Convertible Note is 17.66% (31.12.2014: 17.66%). Embedded conversion option and early redemption option are measured at fair value with changes in fair value recognized in profit or loss.

The movement of the debt component and derivatives components of the First Convertible Note and the 2014 Convertible Note for the year/period is set out as below:

	Debt component	Embedded conversion option	Early redemption option	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2014	36,492	18,039	(5,839)	48,692
Issue of convertible notes				
during the year	212,669	75,926	(34,233)	254,362
Interest charge	12,830	-	-	12,830
Converted into ordinary shares	(194,978)	(62,730)	26,023	(231,685)
Loss arising on changes of fair value	-	4,545	1,459	6,004
As at 31 December 2014 and 1 January 2015	67,013	35,780	(12,590)	90,203
Interest charge (note 4)	4,332	-	-	4,332
Converted into ordinary shares	(71,345)	(35,780)	12,590	(94,535)
As at 30 June 2015	-	-	-	-

17. Convertible notes and derivative financial instruments (continued)

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

2014 Convertible Note

	30 June 2015	31 December 2014
Share price	N/A	HK\$0.22
Conversion price	N/A	HK\$0.183
Expected volatility (note a)	N/A	63.7%
Expected life (note b)	N/A	1.33 years
Risk free rate (note c)	N/A	0.273%

Notes:

- (a) Expected volatility was determined by calculating the historical volatility of the Company's share price.
- (b) Expected life was the expected remaining life of the 2014 Convertible Note.
- (c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

18. Provision for contingent consideration

In connection with the acquisition of net assets through an acquisition of the Acquired Group as detailed in note 17, provision for contingent consideration represented the acquisition-date fair value of contingent consideration for the Second Convertible Note, which will be issued by the Company after certain conditions fulfilled as specified in the acquisition agreement signed on 27 February 2011 for the Acquired Group and the supplemental agreement signed on 19 May 2011, as part of the consideration transferred in exchange for the Acquired Group.

The provision for contingent consideration is classified as a financial liability as it is resulted from a contract that will or may be settled in the Company's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. The amount will then be measured at fair value with changes in fair value recognised in profit or loss.

18. Provision for contingent consideration *(continued)*

The provision for contingent consideration was valued by the Directors with reference to valuation report issued by Asset Appraisal.

	<i>HK\$'000</i>
As at 1 January 2014	144,564
Changes in fair value	<u>115,353</u>
As at 31 December 2014 and 1 January 2015	259,917
Changes in fair value	<u>(1,206)</u>
As at 30 June 2015	<u>258,711</u>

The fair values of the provision for contingent consideration are calculated using the binomial model. The inputs into the model were as follows:

Second convertible note

	30 June 2015	31 December 2014
Share price	HK\$0.219	HK\$0.220
Conversion price	HK\$0.128	HK\$0.128
Expected volatility <i>(note a)</i>	55.02%	57.18%
Expected life <i>(note b)</i>	5.75 years	5.75 years
Risk free rate <i>(note c)</i>	1.312%	1.541%

Notes:

- (a) Expected volatility was determined by calculating the historical volatility of the Company's share price.
- (b) Expected life was the expected remaining life of the Second Convertible Note.
- (c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

The Second Convertible Note will be issued on 31 March 2016 based on the best estimation of the management of the Company on the current status of conditions for issuing those convertible notes.

19. Share capital

	No. of shares	Per share HK\$	Amount HK\$'000
Authorised			
At 1 January 2014, 31 December 2014 and 30 June 2015			
Ordinary shares of HK\$0.05 each	60,000,000,000	0.05	3,000,000
Issued and fully paid			
At 1 January 2014			
Issue of new shares	11,842,647,390	0.05	592,132
	1,382,428,280	0.05	69,121
At 31 December 2014 and 1 January 2015			
Issue of new share	13,225,075,670	0.05	661,253
	437,158,470	0.05	21,858
At 30 June 2015			
	13,662,234,140	0.05	683,111

During the year ended 31 December 2014 and the period ended 30 June 2015, the movements of the authorised and issued share capital of the Company are as following:

As disclosed in note 17, total number of ordinary shares of 437,158,470 (2014: 1,382,428,280) with nominal value of approximately HK\$21,858,000 (2014: approximately HK\$69,121,000) were issued upon the conversion of the 2014 Convertible Note amounting to approximately HK\$94,535,000 (2014: conversion of the First Convertible Note and the 2014 Convertible Note amounting to approximately HK\$47,991,000 and HK\$183,694,000 respectively) during the period ended 30 June 2015.

The new shares rank pari passu in all respects with the existing shares.

20. Disposal of subsidiaries

The Group entered into a conditional sale and purchase agreement with an independent third party on 17 September 2013 to dispose of the Group's equity interests in Dynamic Progress Development Limited and its subsidiaries for consideration of RMB150,000,000 (subject to adjustment of any changes in the external debts). The transaction was completed on 28 February 2014 and the consideration was adjusted to RMB146,800,000 (equivalent to approximately HK\$186,665,000).

Consideration received	<i>HK\$'000</i>
Consideration received in cash and cash equivalents during the year ended 31 December 2013	101,000
Consideration received in cash and cash equivalents during the period ended 30 June 2014	85,665
	<hr/>
Total consideration received	186,665
	<hr/>
Analysis of assets and liabilities over which control was lost	<i>HK\$ '000</i>
Property, plant and equipment	111
Investment properties	436,868
Trade and other receivables	1,568
Bank balances and cash	167
Other payables	(18,217)
Borrowings	(116,161)
Deferred tax liabilities	(65,463)
	<hr/>
Net assets disposed of	238,873
	<hr/>
Loss on disposal of subsidiaries	<i>HK\$ '000</i>
Consideration received	186,665
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss in respect of loss of control of subsidiaries	31,968
Net assets disposed of	(238,873)
PRC tax provision in respect of the disposal	(13,130)
	<hr/>
Loss on disposal of subsidiaries	(33,370)
	<hr/>
Net cash inflow on disposal of subsidiaries	<i>HK\$ '000</i>
Consideration received in cash and cash equivalents during the period ended 30 June 2014	85,665
Less: bank balances and cash disposed of	(167)
	<hr/>
Net cash inflow on disposal of subsidiaries	85,498
	<hr/>

21. Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 June 2015			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	1,880	–	–	1,880
Financial liabilities at fair value through profit or loss:				
Provision for contingent consideration	–	–	258,711	258,711
30 June 2014				
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	12,590	12,590
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	–	35,780	35,780
Provision for contingent consideration	–	–	259,917	259,917
	–	–	295,697	295,697

During the period ended 30 June 2015 and the year ended 31 December 2014, there were no transfers between all levels.

22. Related party transactions

Except as disclosed in the condensed consolidated financial statements elsewhere, the Group entered into the following transactions with its related parties:

- (i) As at 30 June 2015, Mr. Liang provided a personal guarantee to banks for the repayment of the bank loans of approximately HK\$438,939,000 (31.12.2014: approximately HK\$488,974,000).
- (ii) During the period ended 30 June 2015, the remuneration for key management personnel of the Group was approximately HK\$1,315,000 (1.1.2014 to 30.6.2014: approximately HK\$1,704,000).
- (iii) As at 30 June 2014, Zhu Hai Port Plaza Development Company Limited ("Zhu Hai Port Plaza"), of which Mr. Liang is a shareholder, provided a corporate guarantee to a bank for the repayment of the bank loan of approximately HK\$115,960,000. Such bank loan was fully repaid during the year ended 31 December 2014.
- (iv) Pursuant to a tenancy agreement entered into between New China IQ Limited ("New China"), a wholly owned subsidiary of the Company, and Mai Shunxing (the mother of Liang Huixin, an Executive Director) on 11 March 2014, New China agreed to rent a property owned by Mai Shunxing at a monthly rental of HK\$50,000 for the period from 1 January 2014 to 31 December 2015. During the period ended 30 June 2015, total rent of HK\$300,000 were paid to Mai Shunxing (1.1.2014 to 30.6.2014: HK\$300,000).

23. Commitments

(a) Operating lease commitments

At 30 June 2015 and 31 December 2014, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
Within one year	300	600

23. Commitments *(continued)***(b) Capital commitments**

- (i) As disclosed in the Company's announcement and circular dated 13 November 2014 and 9 March 2015, respectively, on 13 November 2014, Wealth Billows Limited ("Wealth Billows"), a wholly-owned subsidiary of the Company entered into an acquisition agreement (the "Acquisition Agreement") with Mr. Liang, pursuant to which Wealth Billows has agreed to acquire the entire share capital of Full Boom Global Limited ("Full Boom" and together with its subsidiaries, the "Full Boom Group") from Mr. Liang at a consideration of HK\$535 million. Full Boom is a private limited liability company incorporated in the Republic of Seychelles and 100% legally and beneficially owned by Mr. Liang. Full Boom Group holds a commercial land lot with an area of 86,938 square metres and a building with a gross floor area of 2,576.14 square metres erected thereon at Xiqiao Town of Guangdong Province, the PRC. Pursuant to the Acquisition Agreement, the consideration of HK\$535 million shall be settled in the following manner:
- (1) A refundable deposit in the sum of HK\$107 million was paid upon signing of the Acquisition Agreement; and
 - (2) The remaining HK\$428 million shall be settled by the issue of promissory notes by the Company to Mr. Liang.

During the year ended 31 December 2014, the Company paid the deposit of HK\$107 million and the amount was included in the Group's trade and other receivables in the Company's consolidated statement of financial position as at 31 December 2014 and 30 June 2015.

As at 31 December 2014 and 30 June 2015, the Company had a capital commitment of approximately HK\$428 million in respect of the acquisition of Full Boom.

The above acquisition was approved by the shareholders of the Company at its Special General Meeting on 1 April 2015.

23. Commitments *(continued)***(b) Capital commitments** *(continued)*

- (ii) On 10 March 2015, the Company entered into a sale and purchase agreement with an independent third party in relation to the acquisition of the entire equity interest in Grand Ahead Finance Limited ("Grand Ahead" and together with its subsidiaries, the "Grand Ahead Group") at the consideration of HK\$1,200 million. The principal activity of the Grand Ahead Group is engaged in the provision of securities brokerage, securities underwriting and placements and financial advisory services, consisting of licensed corporations to carry on types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance.

The consideration of HK\$1,200 million is to be satisfied in the following manner:

- (1) as to HK\$400 million by way of issue of promissory notes to the vendor (or its nominee(s)) upon completion;
- (2) as to HK\$700 million by way of allotment and issue of consideration shares to the vendor (or its nominee(s)) upon completion; and
- (3) as to HK\$100 million by way of issue of convertible notes to the Vendor (or its nominee(s)) upon completion.

As at 30 June 2015, the Company had a capital commitment of HK\$1,200 million in respect of the acquisition of Grand Ahead.

The above acquisition was approved by the shareholders of the Company at its Special General Meeting on 16 June 2015 and details of which are set out in the Company's announcement and circular dated 10 March 2015 and 29 May 2015, respectively.

24. Contingent liabilities

During the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing were sold to independent third parties (the "Buyers") under sale and purchase agreements (the "SP Agreements"). Leasing agency contracts and mortgage contracts were signed together with SP Agreements among the Buyers, Chongqing Kings Mall Business Management Company Limited ("Kings Business", formerly known as Chongqing Kings Mall Real Estate Development Company Limited, a wholly owned subsidiary of the Company acquired from Profit China) and Chongqing Xin Jia Jun Construction and Decoration Engineering Co. Ltd. ("Xin Jia Jun", formerly known as Chongqing Jia Jun Business Management Consultants Limited). Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser of the Group, the Directors considered that they have strong and valid ground of defence in relation to the potential claims in respect of the Buyers without entering into cancellation agreements regarding the units the Buyers had bought ("Problematic Properties") and the Directors considered that Kings Business would not suffer material financial losses arising from such litigation and has the right to occupy and lease the Problematic Properties to other tenants to generate rental income.

On 27 February 2011, pursuant to a deed of indemnity executed by Profit China and Mr. Liang in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of the Acquired Group and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza entered into an undertaking to bear the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of the Acquired Group that the Acquired Group may suffer.

In view of the above, the Directors consider that the probable litigations, if any, would not have any significant financial impacts on the financial positions of the Company.

25. Pledge of assets

As at 30 June 2015, bank balances of approximately HK\$9,363,000 (31.12.2014: approximately HK\$157,731,000), leasehold land and buildings and investment properties with carrying value of approximately HK\$27,895,000 (31.12.2014: approximately HK\$28,340,000) and approximately HK\$1,947,566,000 (31.12.2014: approximately HK\$2,090,000,000) respectively, were pledged to secure general banking facilities granted to the Group or borrowings of the Group.

In addition, the Group has pledged its entire equity interest in New China to secure banking facilities of HK\$21,500,000 granted to the Group for the period ended 30 June 2015 and the year ended 31 December 2014.

26. Significant event after the reporting period

On 18 August 2015, the Company entered into a share placing agreement (the "Share Placing Agreement") and a convertible bond placing agreement (the "Convertible Bonds Placing Agreement") with one and the same placing agent (the "Placing Agent").

Pursuant to the Share Placing Agreement, the Placing Agent has conditionally agreed to place up to a maximum of 613,400,000 placing shares to not less than 6 places at a price of HK\$0.163 per placing share.

Pursuant to the Convertible Bond Placing Agreement, the Placing Agent has conditionally agreed to place the convertible bonds with a principal amount of up to HK\$344,745,000 to not less than 6 places. The initial conversion price is HK\$0.163 per conversion share.

Details are set out in the announcement of the Company dated 18 August 2015.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in property investment and development and trading of goods in mainland China.

For the six months ended 30 June 2015, the Group recorded a turnover of HK\$16,158,000, representing a decrease of approximately 17% from HK\$19,444,000 for the corresponding period last year.

The Group's unaudited consolidated loss for the period under review amounted to HK\$169,078,000, representing a decrease of approximately 9% with the loss of HK\$186,387,000 for the six months ended 30 June 2014.

During the period, our Chongqing arcade Shenghui Plaza recorded rental income amounted to HK\$9,567,000 (six months ended 30 June 2014: HK\$14,649,000), representing a decrease of approximately 35%, due to the completion of disposal of our Harbin Mall in February 2014. We have just set up a supermarket in the Plaza providing international goods and groceries. It is expected that the newly established supermarket will be another source of revenue for the Group in future. As before, royalty fee income was recorded during the period from the hotel management right in relation to Xiang Quan Hotel, which amounted to HK\$3,850,000 (six months ended 30 June 2014: HK\$4,795,000).

A new investment project of the Group is the acquisition of a land use right of a piece of land in Xiqiao Town, Nanhai District, Foshan City, Guangdong Province from our controlling shareholder Mr. Liang Wenguan. With a site area of 86,938 square metres, the land will be developed into a project with gross floor area of approximately 94,400 square metres, 92,000 square metres and 8,800 square metres for shops, offices and hotel development respectively under the current development plan. The acquisition has just been completed and it is expected that the investment property will start generating rental income for the Group three and a half years later.

In order to enhance our investment portfolio, the Company has entered into an agreement for the acquisition of Ping An Securities Limited. Ping An is one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services which include, the provision of securities brokerage, securities underwriting and placements and financial advisory services. We believe that our strategic move towards diversification of businesses will achieve stable return on investment for our shareholders.

ASSETS AND LIABILITIES

As at 30 June 2015, the Group had total liabilities of about HK\$1,612,744,000, of which approximately HK\$139,327,000 and HK\$147,328,000 were bank loans and other borrowings repayable within the next 12 months respectively.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING, CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 June 2015, the Group's current assets and current liabilities were approximately HK\$446,575,000 and HK\$624,560,000 respectively.

As at 30 June 2015, main charges on assets of the Group were leasehold land and buildings, investment properties and bank balances of approximately HK\$27,895,000, HK\$1,947,566,000 and HK\$9,363,000 respectively. Moreover, the equity interests of a subsidiary were also pledged.

The Group's assets/liabilities ratio is calculated on its total liabilities divided by total assets. As at 30 June 2015, the ratio was approximately 64.3%.

Details of the capital commitments and contingent liabilities are provided in notes 23 and 24 respectively.

The Board believes that the Group's cash holding, liquid asset value and future revenue will be sufficient to fund its capital expenditure and meet its working capital requirements.

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi or HK dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

HUMAN RESOURCES

The Group has a total of approximately 200 employees, who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to staff from time to time.

DIRECTORS' INTERESTS

As at 30 June 2015, none of the Directors and the Chief Executive of the Company had any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO")) which are (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). During the six months ended 30 June 2015, none of the Directors, Chief Executive or their spouses or children under the age of 18 was given the right to acquire any shares in or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At as 30 June 2015, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

(a) Interests in Shares:

Name of substantial shareholder	Personal Interests	Corporate Interest	Total	Percentage of interest
Mr. Liang Wenguan ("Mr. Liang")	5,636,969,292 (L)	1,020,549,171 (L) (Note 1)	6,657,518,463 (L)	48.73%

(L) denotes long position

Note 1: The Shares were held by Madex International Company Limited, a company which is 100% owned by Mr. Liang.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

(b) Interests in underlying shares:

Name of substantial shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Liang	Beneficial	Convertible Note (Note 2)	1,174,609,375 (L)	8.60%

(L) denotes long position

Note 2: Pursuant to a very substantial acquisition and connected transaction as detailed in a circular of the Company dated 25 May 2011, the Company will, subject to the fulfillment of certain conditions, grant three convertible notes ("Convertible Notes") to Profit China Investment Development Limited ("Profit China"), which is 100% held by Ms. Tam Ping Foon Calana in trust for Mr. Liang. The First Convertible Note was subsequently granted. On 12 March 2014, the Company, Profit China and Mr. Liang mutually agreed to fully discharge and release all or any rights, obligations and responsibilities under the S&P Agreement relating to issue the Third Convertible Note. As at 30 June 2015, the outstanding principal amount of the Second Convertible Note that may, upon fulfillment of certain conditions, be granted to Profit China was HK\$150,350,000 (representing 1,174,609,375 conversion shares).

SHARE OPTION SCHEME

During the period, no share options have been granted nor outstanding pursuant to the share option scheme adopted at the annual general meeting of the Company held on 23 June 2011.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015 except for certain deviations as follows:

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. During the period under review, the Company had no chairman or chief executive officer and decisions were made collectively by the Executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

Appointments, Re-election and Removal of Directors

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Director and Independent Non-executive Directors of the Company had no fixed term of office during the period, but all of them are subject to the relevant provisions of the bye-laws ("Bye-laws") of the Company and any other applicable laws whereby they shall vacate or retire from their office. According to the Bye-laws, at each annual general meeting of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors and is responsible for review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records and external auditors and senior management.

The unaudited interim results for the period ended 30 June 2015 have been reviewed by the Audit Committee before recommendation to the Board for approval.

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

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

By Order of the Board
Zhang Guodong
Executive Director

Hong Kong, 28 August 2015