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2015 *INTERIM REPORT*

Online And Offline Operation Integration

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中國家居控股有限公司
China Household Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 692)

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

To the board of directors of China Household Holdings Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements of China Household Holdings Limited and its subsidiaries (collectively, the “Group”) set out on pages 2 to 33, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statement of profit or loss and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope Of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Chan Wai Nam, William
Practising Certificate Number P05957

Hong Kong
31 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Revenue | 3 | 820,002 | 851,184 |
| Cost of sales | | (472,879) | (606,346) |
| Gross profit | | 347,123 | 244,838 |
| Other income | 3 | 7,539 | 13,289 |
| Selling and distribution costs | | (20,555) | (11,527) |
| Administrative expenses | | (128,787) | (41,571) |
| Other operating expenses | | — | (28,407) |
| Finance costs | | (68,315) | (52,216) |
| Profit before tax | 5 | 137,005 | 124,406 |
| Income tax expense | 6 | (71,775) | (60,027) |
| Profit for the period | | 65,230 | 64,379 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 65,371 | 67,103 |
| Non-controlling interests | | (141) | (2,724) |
| | | 65,230 | 64,379 |
| Earnings per share attributable to ordinary equity holders of the Company | 8 | | |
| Basic | | | |
| — For profit for the period | | 2.0 cents | 2.4 cents |
| Diluted | | | |
| — For profit for the period | | 1.9 cents | 2.4 cents |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Profit for the period | 65,230 | 64,379 |
| Other comprehensive income/(expense): | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | 1,029 | (5,741) |
| Total comprehensive income for the period, net of tax | 66,259 | 58,638 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 66,403 | 61,362 |
| Non-controlling interests | (144) | (2,724) |
| | 66,259 | 58,638 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | Notes | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|--|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 29,964 | 31,596 |
| Lease premiums for land | | 106,881 | 109,849 |
| Exploration and evaluation assets | 9 | 805,600 | 805,600 |
| Intangible assets | | 528,492 | 143,908 |
| Other financial assets | 10 | 256,354 | 253,919 |
| Goodwill | | 652,649 | 652,649 |
| Total non-current assets | | 2,379,940 | 1,997,521 |
| CURRENT ASSETS | | | |
| Inventories | | 146,406 | 122,316 |
| Lease premiums for land | | 3,959 | 3,959 |
| Loan receivables | | 332 | 332 |
| Trade and bills receivables | 11 | 434,141 | 323,180 |
| Prepayments, deposits and other receivables | | 297,174 | 224,368 |
| Equity investments at fair value through profit or loss | | 20,891 | 14,547 |
| Pledged deposits | | 970 | 1,073 |
| Cash and cash equivalents | | 387,176 | 243,673 |
| Total current assets | | 1,291,049 | 933,448 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2015

| | Notes | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|---|-------|--|--|
| CURRENT LIABILITIES | | | |
| Bank overdrafts, secured | 20 | 3,859 | 3,222 |
| Bank loans, secured | 20 | 57,198 | 45,125 |
| Trade payables | 12 | 108,375 | 80,438 |
| Other payables and accruals | | 131,093 | 70,952 |
| Amounts due to directors | 16 | 11,505 | 17,505 |
| Tax payables | | 10,283 | 20,167 |
| Obligation under finance leases | | 202 | 284 |
| Strict bonds | | 130,000 | 128,000 |
| Contingent consideration shares | 13 | 77,465 | — |
| Convertible bonds | 14 | 17,478 | 20 |
| Promissory notes | 15 | 290,535 | 218,689 |
| Total current liabilities | | 837,993 | 584,402 |
| NET CURRENT ASSETS | | 453,056 | 349,046 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,832,996 | 2,346,567 |
| NON-CURRENT LIABILITIES | | | |
| Obligation under finance leases | | 417 | 510 |
| Deferred tax liabilities | | 28,656 | 32,377 |
| Strict bonds | | 286,183 | 210,000 |
| Contingent consideration shares | 13 | 115,850 | — |
| Convertible bonds | 14 | 399,257 | 383,921 |
| Promissory notes | 15 | 140,356 | 125,445 |
| Total non-current liabilities | | 970,719 | 752,253 |
| NET ASSETS | | 1,862,277 | 1,594,314 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 17 | 3,404 | 3,166 |
| Equity component of convertible bonds | | 164,247 | 165,150 |
| Reserves | | 1,675,098 | 1,406,326 |
| | | 1,842,749 | 1,574,642 |
| Shares to be issued | | 21,418 | 21,418 |
| Non-controlling interests | | (1,890) | (1,746) |
| TOTAL EQUITY | | 1,862,277 | 1,594,314 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---------------------------------------|----------------------------|----------------------------------|---|-------------------------------|---------------------------------------|--------------------------------|-------------------|---------------------------------|-----------|---------------------|---------------------------|--------------|
| | Share capital | Share premium ¹ | Contributed surplus ² | Employee share option reserves ³ | Capital reserves ⁴ | Equity component of convertible bonds | Exchange reserves ⁵ | Statutory reserve | Accumulated losses ⁶ | Total | Shares to be issued | Non-controlling interests | Total equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2014 | 2,766 | 1,663,631 | 388,084 | 3,587 | (21) | 169,948 | 4,853 | — | (56,670) | 2,176,178 | 21,418 | (10,328) | 2,187,268 |
| Profit for the period and total comprehensive income for the period | — | — | — | — | — | — | (5,741) | — | 67,103 | 61,362 | — | (2,724) | 58,638 |
| At 30 June 2014 | 2,766 | 1,663,631 | 388,084 | 3,587 | (21) | 169,948 | (888) | — | 10,433 | 2,237,540 | 21,418 | (13,052) | 2,245,386 |
| 1 January 2015 | 3,166 | 1,908,071 | 388,084 | 30,654 | (21) | 165,150 | 919 | 34,236 | (955,617) | 1,574,642 | 21,418 | (1,746) | 1,594,314 |
| Profit for the period and total comprehensive income for the period | — | — | — | — | — | — | 1,032 | — | 65,371 | 66,403 | — | (144) | 66,259 |
| Issue of consideration shares for the acquisition of subsidiaries | 229 | 146,389 | — | — | — | — | — | — | — | 146,618 | — | — | 146,618 |
| Issue of shares upon the conversion of convertible bonds | 8 | 908 | — | — | — | (903) | — | — | — | 13 | — | — | 13 |
| Equity-settled share-options arrangement | — | — | — | 54,952 | — | — | — | — | — | 54,952 | — | — | 54,952 |
| Issue of shares under share option scheme | 1 | 148 | — | (28) | — | — | — | — | — | 121 | — | — | 121 |
| Share option lapsed | — | — | — | (538) | — | — | — | — | 538 | — | — | — | — |
| 30 June 2015 | 3,404 | 2,055,516 | 388,084 | 85,040 | (21) | 164,247 | 1,951 | 34,236 | (889,708) | 1,842,749 | 21,418 | (1,890) | 1,862,277 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2015*

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Net cash flows generated from operating activities | 63,002 | 55,253 |
| Net cash flows (used in)/generated from investing activities | (2,268) | 14,823 |
| Net cash flows generated from financing activities | 81,422 | 46,204 |
| Net increase in cash and cash equivalents | 142,156 | 116,280 |
| Cash and cash equivalents at the beginning of the period | 240,451 | 35,962 |
| Effect of foreign exchange rate changes | 710 | (1,360) |
| Cash and cash equivalents at the end of the period | 383,317 | 150,882 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | 387,176 | 153,318 |
| Bank overdrafts, secured | (3,859) | (2,436) |
| | 383,317 | 150,882 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

China Household Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's principal place of business in Hong Kong is located at Suite No. 1001B, 10/F., Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively, the "Group") were principally engaged in trading of wooden products and provision of interior design services, the sales of fabrics and garments and other related accessories, iron and titanium exploration, development and mining in the Peoples' Republic of China ("the PRC"), securities investment, fashion business, money lending business and provision of information and technologies services and sales of related products during the period.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 (the "Unaudited Condensed Consolidated Interim Financial Statements") have been approved for issue by the Board of Directors on 31 August 2015.

2. Basis of preparation and significant accounting policies

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2014 (the "2014 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated interim financial statements have been prepared on the historical cost convention, as modified by equity investments at fair value through profit or loss; and other financial assets, which are carried at fair value.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of 2014 Annual Financial Statements.

In the current interim period, the Group has applied, for the first time, a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2015.

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

3. Revenue and other income

Revenue, which is also the Group's turnover, represents the invoiced value of trading of wooden products, technological and intelligent products, fabrics, garments and other related accessories, after allowances for returns and trade discounts, sales of listed equity investment, interest received and receivable from money lending, provision of information and technologies services. During the period, the Group did not generate any income from mining business.

An analysis of revenue and other income are as follows:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Revenue | | |
| Sales of goods | 797,511 | 787,081 |
| Provision of services | 6 | 13,244 |
| Interest income from loan receivables | 14 | 106 |
| Sales of listed equity investment | 22,471 | 50,753 |
| | 820,002 | 851,184 |
| Other income | | |
| Commission income | 163 | 262 |
| Dividend income | — | 26 |
| Exchange gain | 331 | 2,219 |
| Interest income | 21 | 155 |
| Gain on disposal of property, plant and equipment | — | 77 |
| Reversal of impairment loss on trade and bill receivables | — | 10,449 |
| Fair value gain on listed equity investment at fair value through profit or loss | 6,904 | — |
| Others | 120 | 101 |
| | 7,539 | 13,289 |
| Total revenue and other income | 827,541 | 864,473 |

4. Segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Sales of household furnitures segment — trading of household furnitures and wooden products

Mining segment — mine exploitation, development and mining of iron and titanium ores

Information and technologies services segment — provision of information and technologies services and sales of related products

Other — provision of loan financing, trading of securities, and trading of fabrics, garments and other related accessories

| | For the six months ended 30 June 2015 | | | | |
|---|--|-----------------------------------|--|----------------------------------|----------------------------------|
| | Sales of household furnitures HK\$'000 (Unaudited) | Mining HK\$'000 (Unaudited) | Information and technology services HK\$'000 (Unaudited) | Other HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
| Segment revenue | | | | | |
| Sales to external customers | 794,542 | — | 6 | 25,454 | 820,002 |
| Segment results | 288,260 | (1,700) | (5,617) | 1,597 | 282,540 |
| Reconciliation: | | | | | |
| Interest income and unallocated gains | | | | | 10 |
| Corporate and other unallocated expenses | | | | | (77,230) |
| Finance costs | | | | | (68,315) |
| Profit before tax | | | | | 137,005 |
| Other segment information | | | | | |
| Capital expenditure* | 404,234 | — | 6 | — | 404,240 |
| Reconciliation: | | | | | |
| Unallocated capital expenditure | | | | | — |
| Depreciation and amortisation | 19,353 | 6 | 4,201 | 313 | 23,873 |
| Reconciliation: | | | | | |
| Unallocated depreciation and amortisation | | | | | 56 |
| | | | | | 23,929 |

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from the acquisition of subsidiaries.

4. Segment information (Continued)

For the six months ended 30 June 2014

| | Sales of household furnitures HK\$'000 (Unaudited) | Mining HK\$'000 (Unaudited) | Information and technology services HK\$'000 (Unaudited) | Other HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|--|---|-----------------------------------|---|----------------------------------|----------------------------------|
| Segment revenue | | | | | |
| Sales to external customers | 782,536 | — | 13,243 | 55,405 | 851,184 |
| Segment results | 237,133 | (2,030) | 2,151 | (46,602) | 190,652 |
| Reconciliation: | | | | | |
| Interest income and unallocated gains | | | | | 89 |
| Corporate and other unallocated expenses | | | | | (14,119) |
| Finance costs | | | | | (52,216) |
| Profit before tax | | | | | 124,406 |
| Other segment information | | | | | |
| Capital expenditure* | 41 | 8 | 11 | 1,653 | 1,713 |
| Reconciliation: | | | | | |
| Unallocated capital expenditure | | | | | 14 |
| | | | | | 1,727 |
| Depreciation and amortisation | 2,831 | 6 | 12 | 870 | 3,719 |
| Reconciliation: | | | | | |
| Unallocated depreciation and amortisation | | | | | 1,781 |
| | | | | | 5,500 |

The relevant geographical information of the Group is as follows:

| | For the six months ended 30 June 2015 | | | |
|------------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|----------------------------------|
| | PRC HK\$'000 (Unaudited) | Hong Kong HK\$'000 (Unaudited) | Others HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
| Segment revenue | | | | |
| Revenue from external customers | 794,542 | 22,491 | 2,969 | 820,002 |
| Capital expenditure | 404,240 | — | — | 404,240 |

4. Segment information (Continued)

| | For the six months ended 30 June 2014 | | | |
|---------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|----------------------------------|
| | PRC HK\$'000 (Unaudited) | Hong Kong HK\$'000 (Unaudited) | Others HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
| Segment revenue | | | | |
| Revenue from external customers | 795,780 | 51,450 | 3,954 | 851,184 |
| Capital expenditure | 60 | 1,667 | — | 1,727 |

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from the acquisition of subsidiaries.

5. Profit before tax

Profit before tax is stated after charging the following:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Charging | | |
| Staff costs (excluding directors' remunerations) | | |
| Salaries and allowances | 10,757 | 10,976 |
| Retirement benefit costs | 163 | 267 |
| Equity-settled share based payment | 36,655 | — |
| Total staff costs (excluding directors' remunerations) | 47,575 | 11,243 |
| Depreciation on property, plant and equipment | 1,489 | 2,131 |
| Amortisation of intangible assets | 19,472 | 1,390 |
| Amortisation of lease premiums for land | 2,968 | 1,979 |
| Fair value loss on listed equity investment at fair value through profit or loss | — | 23,342 |
| Fair value change of other financial assets | — | 5,065 |
| Operating lease rentals in respect of land and buildings | 8,009 | 2,217 |
| Equity-settled share based payment | | |
| Directors | 10,133 | — |
| Employees | 36,655 | — |
| Consultants | 8,164 | — |
| | 54,952 | — |

6. Income tax expense

The major components of income tax expense of the Group for the year are as follows:

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|------------------|
| | | 2015 HK\$'000 | 2014 HK\$'000 |
| Current tax | | | |
| — Hong Kong | (a) | — | 874 |
| — PRC | (b) | 76,236 | 59,112 |
| (Over)/under provision in respect of previous years | (c) | (740) | 41 |
| | | 75,496 | 60,027 |
| Deferred tax | | (3,721) | — |
| | | 71,775 | 60,027 |

- (a) Hong Kong profit tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.
- (b) Under the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the enterprise income tax rate applicable to the Group's companies operating in the PRC is 25% from 1 January 2008 onwards.
- (c) Over provision for income tax in Hong Kong and the PRC were approximately HK\$740,000 and HK\$Nil (2014: under provision for income tax were HK\$Nil and HK\$41,000) respectively.

7. Dividend

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

8. Earnings per share attributable to ordinary equity holders of the Company

The basis earnings per share is calculated by dividing the consolidated profit for the period attributable to owners of the Company as set out below by weighted average number of ordinary shares in issue during period.

The calculations of basic earnings per share are based on:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Profit | | |
| Profit attributable to owners of the Company, used in the basic earnings per share calculation | 65,371 | 67,103 |

8. Earnings per share attributable to ordinary equity holders of the Company (Continued)

| | At 30 June 2015 (Unaudited) | At 30 June 2014 (Unaudited) |
|--|--------------------------------------|--------------------------------------|
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 3,284,364,806 | 2,766,314,964 |

Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares. The Company has two category of dilutive potential ordinary shares: convertible bonds and share options.

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Consolidated profit attributable to owners of the Company | 65,371 | 67,103 |
| Interest expense on convertible bonds (net of tax) | 1 | 28,580 |
| | 65,372 | 95,683 |

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 3,284,364,806 | 2,766,314,964 |
| Effect of dilution — weighted average number of ordinary shares: share options and convertible bonds | 71,620,664 | 610,517,334 |
| | 3,355,985,470 | 3,376,832,298 |

9. Exploration and evaluation assets

| | HK\$'000 |
|--------------------------------------|-----------|
| At 1 January 2014, at cost | 1,539,000 |
| Impairment loss for the year | (733,400) |
| At 31 December 2014 and 30 June 2015 | 805,600 |

In 2010, the Group has obtained a mining licence of 陕西省紫陽縣桃園 — 大柞木溝鈦磁鐵礦 (the "Mine", literally translated as Shaanxi Province Ziyang County Taoyuan — Dazhamugou Taicitie Mine), an iron and titanium dioxide mine with a total mining area of 7.8892 km² located at Ziyang County, Shaanxi Province, the PRC. However, the Group has to obtain other licences to commence/continue the operations of the Mine.

The exploration and evaluation assets are stated at cost less impairment losses. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to property, plant and equipment and amortised on the units of production method (the "UOP") based on the proved and probable reserves.

During the period ended 30 June 2015, the Group has not carried out any topography survey and feasibility study. The Group has not carried out any development nor production activity during the period. None of the exploration and evaluation costs were transferred to the property, plant and equipment as the directors of the Company are of the opinion that the exploration properties were not capable of commercial production at the end of reporting period.

10. Other financial assets

| | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|----------------------------------|--|--|
| Profit guarantees, at fair value | 256,354 | 253,919 |

The fair value of other financial assets represented the profit guarantee arising from the acquisition of i) Red Hero International Limited ("Red Hero"), together with its subsidiaries, collectively the ("Red Hero Group"), ii) Chang Ye Holdings Limited ("Chang Ye"), together with its subsidiaries, collectively the ("Chang Ye Group"), iii) Kassade Investment Limited ("Kassade"), together with its subsidiaries, collectively the ("Kassade Group"), iv) Polar Sunshine Wood Holdings Company Limited ("Polar Sunshine"), together with its subsidiaries, collectively the ("Polar Sunshine Group") and v) China New Oriental Household Holdings Limited ("New Oriental"), together with its subsidiaries, collectively the ("New Oriental Group") respectively.

- (a) On 3 January 2013, the Group acquired the 100% equity interest of Chang Ye Group. The total consideration was satisfied by way of the issue of a promissory note with principal value of HK\$60,000,000, subject to the adjustment of the amount of profit guarantee for the relevant profit guaranteed period.

Pursuant to the sales and purchase agreement, the profit guarantee for Chang Ye Group's total net profit after tax of the years ended/ending 31 December 2013, 2014 and 2015 shall not be less than HK\$15,000,000 each year. In the event of guaranteed profit is not met, the shortfall amount will set off against the principal amount of promissory note with a cap of HK\$15,000,000 each year.

On 30 June 2015, the fair value of profit guarantee of Chang Ye Group was HK\$Nil (31 December 2014: HK\$Nil).

10. Other financial assets (Continued)

- (b) On 31 December 2013, the Group acquired 100% equity interest of Red Hero Group. The total consideration was satisfied by way of the issue of convertible bond with an aggregate nominal value of HK\$480,000,000 subject to the adjustment of the amount of profit guarantee for the relevant profit guaranteed period.

Pursuant to the sales and purchase agreement, the profit guarantee for Red Hero Group's total net profit after tax of the years ended/ending 31 December 2014, 2015 and 2016 shall not be less than HK\$2,600,000 and HK\$76,000,000 and HK\$162,000,000 respectively. In the event of guaranteed profit is not met, the shortfall amount will set off against the principal amount of convertible bond.

On 30 June 2015, the fair value of profit guarantee of Red Hero Group was HK\$250,757,000 (31 December 2014: HK\$250,757,000).

- (c) On 11 July 2014, the Group acquired 100% equity interest of Kassade Group. The total consideration was satisfied by way of the issue of a promissory note with principal value of HK\$100,000,000 subject to the adjustment of the amount of profit guarantee for the relevant profit guaranteed period.

Pursuant to the sales and purchase agreement, the profit guarantee for Kassade Group's total net profit after tax of the years ended/ending 31 December 2014, 2015, 2016, 2017 and 2018 shall not be less than HK\$20,000,000 each year. In the event of guaranteed profit is not met, the shortfall amount will set off against the principal amount of promissory note.

On 30 June 2015, the fair value of profit guarantee of Kassade Group was HK\$3,162,000 (31 December 2014: HK\$3,162,000).

- (d) On 17 July 2014, the Group acquired 100% equity interest of Polar Sunshine Group. The total consideration was satisfied by way of the issue of 356,000,000 consideration shares at the issue price of HK\$0.59 subject to the adjustment of the amount of profit guarantee for the relevant profit guaranteed period.

Pursuant to the sales and purchase agreement, the profit guarantee for Polar Sunshine Group's total net profit after tax of the years ended/ending 31 December 2014, 2015 and 2016 shall not be less than HK\$7,500,000, HK\$12,000,000 and HK\$27,000,000 respectively. In the event of guaranteed profit is not met, the shortfall amount will be paid by cash to Kingstown Development Limited, a wholly-owned subsidiary of the Company.

On 30 June 2015, the fair value of profit guarantee of Polar Sunshine Group was HK\$Nil (31 December 2014: HK\$Nil).

- (e) On 30 March 2015, the Group acquired 100% equity interest of New Oriental Group. The total consideration was satisfied by way of the total of 540,000,000 consideration shares at the issue price of HK\$0.55 and the promissory note of HK\$123,000,000 subject to the adjustment of the amount of profit guarantee for the relevant profit guarantee period.

Pursuant to the sales and purchase agreement, the profit guarantee for New Oriental Group's total net profit after tax for the years ending 31 December 2015, 2016 and 2017 shall not be less than HK\$75,000,000, HK\$100,000,000 and HK\$120,000,000 respectively. If the net profit for any financial year is less than the guaranteed net profits indicated above, the balance of the consideration payable in respect of that period shall be reduced on a pro rata basis and such consideration shares (and promissory note, if applicable) to be delivered to the Vendor for such financial year will be reduced accordingly.

On 30 June 2015, the fair value of profit guarantee of New Oriental Group was HK\$2,435,000.

11. Trade and bills receivables

| | At 30 June 2015 <i>HK\$'000</i> (Unaudited) | At 31 December 2014 <i>HK\$'000</i> (Audited) |
|-----------------------------|---|---|
| Trade and bills receivables | 530,333 | 419,372 |
| Less: Impairment | (96,192) | (96,192) |
| | 434,141 | 323,180 |

Details of the aging analysis of trade and bills receivables, based on the invoice date, are as follows:

| | At 30 June 2015 <i>HK\$'000</i> (Unaudited) | At 31 December 2014 <i>HK\$'000</i> (Audited) |
|---------------|---|---|
| 0 — 30 days | 87,583 | 129,743 |
| 31 — 60 days | 16,924 | 80,254 |
| 61 — 90 days | 14,285 | 57,358 |
| 91 — 180 days | 155,416 | 47,811 |
| Over 180 days | 256,125 | 104,206 |
| | 530,333 | 419,372 |

The Group's credit policies for each of its principal activities are as follows:

- (i) Trading of garments and accessories are with credit terms of 30 to 90 days
- (ii) Trading of wooden products are with credit terms of 120 to 180 days

The movements in the provision for impairment of trade and bills receivables are as follows:

| | <i>HK\$'000</i> (Unaudited) |
|--|--------------------------------|
| At 1 January 2014 | 10,796 |
| Impairment losses recognised | 96,192 |
| Amount written off as uncollectible | (155) |
| Impairment loss reversed | (10,641) |
| At 31 December 2014, 1 January 2015 and 30 June 2015 | 96,192 |

12. Trade payables

Details of the aging analysis of trade payables, based on the invoice date, are as follows:

| | At 30 June 2015 HK\$'000 (Unaudited) | At 31 December 2014 HK\$'000 (Audited) |
|---------------|--|--|
| 0 — 30 days | 74,311 | 33,299 |
| 31 — 60 days | 869 | 10,334 |
| 61 — 90 days | 2,067 | 3,010 |
| 91 — 180 days | 20,147 | 5,464 |
| Over 180 days | 10,981 | 28,331 |
| | 108,375 | 80,438 |

13. Contingent consideration shares

| | At 30 June 2015 HK\$'000 (Unaudited) | At 31 December 2014 HK\$'000 (Audited) |
|---|---|---|
| Fair value of contingent consideration shares for the acquisition of assets | 193,315 | — |
| Classified as current liabilities | (77,465) | — |
| Non-current liabilities | 115,850 | — |

The Group acquired the entire equity interest of New Oriental Group on 30 March 2015. As consideration for the acquisition of New Oriental Group, the Group was required to issue 540,000,000 consideration shares in four tranches in the following manner:

- (i) The 1st tranche of 229,090,909 consideration shares issued on the Completion Date;
- (ii) The 2nd tranche of 125,000,000 consideration shares, which is subject to adjustment for the profit guarantee of HK\$75,000,000 of New Oriental Group for the year ending 31 December 2015;
- (iii) The 3rd tranche of 150,000,000 consideration shares, which is subject to adjustment for the profit guarantee of HK\$100,000,000 of New Oriental Group for the year ending 31 December 2016; and
- (iv) The 4th tranche of 35,909,091 consideration shares, which is subject to adjustment for the profit guarantee of HK\$120,000,000 of New Oriental Group for the year ending 31 December 2017.

14. Convertible bonds

The liabilities component of convertible bonds are as follows:

| | At 30 June 2015 HK\$'000 (Unaudited) | At 31 December 2014 HK\$'000 (Audited) |
|-----------------------------------|---|---|
| CB1 | 17,478 | 14,827 |
| CB3 | 399,257 | 369,094 |
| CN1 | — | 20 |
| Total | 416,735 | 383,941 |
| Classified as current liabilities | (17,478) | (20) |
| Non-current liabilities | 399,257 | 383,921 |

Convertible Bonds issued in 2013

On 9 July 2013, the Company issued 2% convertible bonds with an aggregate nominal value of HK\$71,916,160 (the "CB 1"). The maturity date of the CB 1 is at the end of 30th months of the date of issue of the convertible bonds. The bond holders have the rights to convert into approximately 97,184,000 conversion shares at initial conversion price of HK\$0.74 per conversion share. As at 30 June 2015, the outstanding principal amounts of the CB1 was HK\$20,116,160 (31 December 2014: HK\$20,116,160).

| | Liability component HK\$'000 | Equity Component HK\$'000 | Total HK\$'000 |
|---|------------------------------------|---------------------------------|-------------------|
| At 1 January 2014 (Audited) | 11,192 | 9,362 | 20,554 |
| Imputed interest expenses | 4,037 | — | 4,037 |
| Interest paid and payables | (402) | — | (402) |
| At 31 December 2014 and at 1 January 2015 (Audited) | 14,827 | 9,362 | 24,189 |
| Imputed interest expenses | 2,651 | — | 2,651 |
| At 30 June 2015 (Unaudited) | 17,478 | 9,362 | 26,840 |
| Classified as current liabilities | (17,478) | | |
| Non-current liabilities | — | | |

14. Convertible bonds (Continued)**Convertible Bonds issued in 2013** (Continued)

On 31 December 2013, the Company issued 2% convertible bonds with principal value of HK\$480,000,000 (the "CB 3") as a consideration for the acquisition of subsidiaries. The maturity date of the CB 3 is the 3rd anniversary of the date of the issue of the CB 3. The CB 3 carries interest at a rate of 2% per annum which is payable annually in arrears after the date of issue. The bond holders have the rights to convert the CB 3 into ordinary shares of the Company on or before the third anniversary from the issue date of the CB 3 with the conversion price of HK\$0.90 per share, subject to adjustments. The Company is entitled to early redeem the CB 3 in whole or in part at a price equal the outstanding principal amount plus interest accrued thereon. As at 30 June 2015, the outstanding principal amount of the CB3 was HK\$480,000,000 (31 December 2014: HK\$480,000,000).

The convertible bonds have been split into the liability and equity components as follows:

| | Liability component HK\$'000 | Equity Component HK\$'000 | Total HK\$'000 |
|---|------------------------------------|---------------------------------|-------------------|
| At 1 January 2014 (Audited) | 325,115 | 154,885 | 480,000 |
| Imputed interest expenses | 53,579 | — | 53,579 |
| Interest paid and payables | (9,600) | — | (9,600) |
| At 31 December 2014 and at 1 January 2015 (Audited) | 369,094 | 154,885 | 523,979 |
| Imputed interest expenses | 30,163 | — | 30,163 |
| At 30 June 2015 (Unaudited) | 399,257 | 154,885 | 554,142 |
| Classified as current liabilities | — | | |
| Non-current liabilities | 399,257 | | |

Convertible Note issued in 2012

On 3 September 2012, the Company issued 2% convertible note with principal value of HK\$50,000,000 (the "CN 1") as a partial consideration for the acquisition of subsidiaries. The maturity date of the CN 1 is the 3rd anniversary of the date of the issue of the CN 1. The CN 1 was convertible into ordinary shares of the Company during the period from 3 months after the date of issue of the CN 1 and expiring on the business day immediately preceding the maturity date at the initial conversion price of HK\$0.12 per share, subject to adjustments. The CN 1 carried interest at a rate of 2% per annum which was payable semi-annually in arrears of the last day of June and December each year after the date of issue. The Company was entitled to early redeem the CN 1 in whole or in part at a price equal the outstanding principal amount plus interest accrued thereon.

During the year ended 31 December 2014, the CN 1 with nominal value of HK\$5,050,080 have been converted at a conversion price of HK\$0.12 into 42,084,000 ordinary shares of HK\$0.001 each.

Up to 30 June 2015, all the CN1 have been converted, at a conversion price of HK\$0.12 into 7,916,000 ordinary shares of HK\$ 0.001 each.

14. Convertible bonds (Continued)**Convertible Note issued in 2012** (Continued)

| | Liability component <i>HK\$'000</i> | Equity component <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|--------------------------|
| At 1 January 2014 (Audited) | 187 | 5,701 | 5,888 |
| Converted into shares during the year | (102) | (4,798) | (4,900) |
| Imputed interest expenses | 21 | — | 21 |
| Interest paid | (86) | — | (86) |
| At 31 December 2014 and at 1 January 2015 (Audited) | 20 | 903 | 923 |
| Converted into shares during the period | (13) | (903) | (916) |
| Imputed interest expenses | 1 | — | 1 |
| Interest paid | (8) | — | (8) |
| At 30 June 2015 (Unaudited) | — | — | — |

15. Promissory notes

| | At 30 June 2015 <i>HK\$'000</i> (Unaudited) | At 31 December 2014 <i>HK\$'000</i> (Audited) |
|--|---|---|
| At beginning of period/year | 344,134 | 251,666 |
| Promissory notes issued, at fair value | 66,517 | 66,135 |
| Imputed interest expenses | 20,240 | 30,759 |
| Interest paid and payables | — | (4,426) |
| At end of period/year | 430,891 | 344,134 |
| Classified as current liabilities | (290,535) | (218,689) |
| Non-current liabilities | 140,356 | 125,445 |

15. Promissory notes *(Continued)*

1. On 3 September 2012, Sky Treasure Worldwide Limited ("Sky Treasure"), an indirect wholly-owned subsidiary of the Group, issued an unsecured promissory note with principal value of HK\$228,000,000 (the "PN 1") as a partial consideration for the acquisition of subsidiaries. The PN 1 bears interest at 3% per annum and is payable on 3 September 2015 (the "PN 1 Maturity Date"). Sky Treasure has the right to redeem in full or in part of the principal amount of the PN 1 prior to the PN 1 Maturity Date (the "PN 1 Early Redemption Right"). The fair values of the PN 1 and PN 1 Early Redemption Right at the date of issuance were approximately HK\$179,581,000 and HK\$Nil respectively.

The PN 1 is subsequently measured at amortised cost, using effective interest rate of 11.52%. As at 30 June 2015, the carrying amount of the PN 1 was approximately HK\$180,390,000 (31 December 2014: HK\$170,642,000).

During the period ended 30 June 2015, imputed interest of approximately HK\$9,748,000 was charged to profit or loss of the Group.

2. On 10 October 2012, the Company early redeemed the convertible bonds issued in 2010 ("CB 2010") with principal value of approximately HK\$217,123,000 by way of issuing a promissory note with principal value of approximately HK\$173,698,000 ("PN2"), which represents 80% of the outstanding principal amount of the remaining principal value of CB 2010. The PN2 bears interest at 4% per annum and payable in the 31st day of December each year. The first payment shall be made on 31 December 2013. The maturity date of the promissory note is 9 October 2015 (the "PN2 Maturity Date"). The Company has the right to redeem in full or in part of the principal amount together with interest accrued thereon at any time prior to the PN2 Maturity Date (the "PN2 Early Redemption Right"). The fair values of PN2 and PN2 Early Redemption Right at the date of issuance were approximately HK\$143,792,000 and HK\$Nil respectively.

The PN2 is subsequently measured at amortised cost, using effective interest of 11.04%. As at 30 June 2015, the carrying amount of the PN2 was approximately HK\$50,679,000 (31 December 2014: HK\$48,048,000).

During the period ended 30 June 2015, imputed interest of approximately HK\$2,631,000 was charged to profit or loss of the Group. In addition, no interest has been paid in connection to this promissory note.

3. On 3 January 2013, the Company issued an unsecured promissory note with principal value of HK\$60,000,000 (the "PN3"). The PN3 bears interest at 4% per annum and fall due on 31 March 2016 (the "PN3 Maturity Date"). The Company has the right to redeem in full or in part of the principal amount of the PN3 prior to the PN3 Maturity Date (the "PN3 Early Redemption Right"). The fair values of the PN3 and the PN3 Early Redemption Right at the date of issuance were approximately HK\$50,808,000 and HK\$Nil respectively.

The PN3 is subsequently measured at amortised cost, using effective interest rate of 10.18%. As at 30 June 2015, the carrying amount of the PN3 was approximately HK\$59,466,000 (31 December 2014: HK\$56,608,000).

The PN3 was held by Jolly Treasure Developments Limited, a related company controlled by Mr. Kuang Yuanwei, an executive director of the Company. During the period ended 30 June 2015, imputed interest of approximately HK\$2,858,000 was charged to profit or loss of the Group.

15. Promissory notes *(Continued)*

4. On 11 July 2014, the Company issued an unsecured promissory note with principal value of HK\$100,000,000 (the "PN4") for the acquisition of subsidiaries. The PN4 does not carry any interest and fall due on 10 July 2019 (the "PN4 Maturity Date"). The fair value of the PN4 at the date of issuance was approximately HK\$66,135,000.

The PN4 is subsequently measured at amortised cost, using effective interest rate of 8.62%. As at 30 June 2015, the carrying amount of the PN4 was approximately HK\$71,777,000 (31 December 2014: HK\$68,836,000)

During the period ended 30 June 2015, imputed interest of approximately HK\$2,941,000 was charged to profit or loss of the Group.

5. On 30 March 2015, the Company issued an unsecured promissory note with principal value of HK\$123,000,000 (the "PN 5") for the acquisition of intangible assets through acquisition of subsidiaries. The PN5 bears interest at 0.5% and fall due on 30 March 2020 (the "PN5 Maturity Date"). The fair values of the PN5 at date of issuance was approximately HK\$66,517,000.

The PN5 is subsequently measured at amortised cost, using effective interest rate of 13.627%. As at 30 June 2015, the carrying amount of PN 5 was approximately HK\$68,579,000.

During the period ended 30 June 2015, imputed interest of approximately HK\$2,062,000 was charged to profit or loss of the Group.

16. Amounts due to directors

The balance is unsecured, interest free and repayable on demand. In the opinion of directors, the balance approximates to its fair value.

17. Share capital

| | Authorized | |
|--|---|-----------------|
| | <i>No. of ordinary shares of HK\$0.001 each</i> | <i>HK\$'000</i> |
| As at 1 January 2014, 31 December 2014 and 30 June 2015 | 1,500,000,000,000 | 1,500,000 |

| | Issued and fully paid | |
|---|---|-----------------|
| | <i>No. of ordinary shares of HK\$0.001 each</i> | <i>HK\$'000</i> |
| As at 1 January 2014 | 2,766,314,964 | 2,766 |
| Issue of shares upon the conversion of convertible bonds (<i>note a</i>) | 42,084,000 | 42 |
| Issue of shares for the acquisition of subsidiaries (<i>note b</i>) | 356,000,000 | 356 |
| Issue of shares under share option scheme (<i>note c</i>) | 2,000,000 | 2 |
| As at 31 December 2014 and 1 January 2015 (HK\$0.001 each) | 3,166,398,964 | 3,166 |
| Issue of shares upon the conversion of convertible bonds (<i>note d</i>) | 7,916,000 | 8 |
| Issue of shares for the acquisition of intangible assets through acquisition of subsidiaries (<i>note e</i>) | 229,090,909 | 229 |
| Issue of shares under share option scheme (<i>note f</i>) | 250,000 | 1 |
| As at 30 June 2015 | 3,403,655,873 | 3,404 |

Notes:

- (a) On 27 August 2014, CN 1 with aggregate principle amount of HK\$5,050,080 were converted into 42,084,000 ordinary shares of the Company at a conversion price of HK\$ 0.12 each.
- (b) On 14 July 2014, 356,000,000 new ordinary shares of HK\$0.001 each of the Company were issued for the acquisition of 100% equity interests in Polar Sunshine Group.
- (c) On 10 November 2014 and 3 December 2014, 1,000,000 and 1,000,000 ordinary shares were issued to share option holders who had exercised their options respectively.
- (d) On 12 June 2015, CN 1 with aggregate principle amount of HK\$949,920 were converted into 7,916,000 ordinary shares of the Company at a conversion price of HK\$0.12 each.
- (e) On 30 March 2015, 229,090,909 new ordinary shares of HK\$0.001 each of the Company were issued for the first tranche of consideration share for the acquisition of 100% equity interests in New Oriental Group.
- (f) On 13 May 2015, 250,000 ordinary shares were issued to share option holder who had exercised his option.

18. Share-based payment transactions

Equity-settled share option scheme of the Company

The Company has a share option scheme (the "Old Scheme") which was adopted on 27 May 2002, valid and effective for a period of 10 years from that date. The Old Scheme was expired on 27 May 2012. No further options could thereafter be offered under the Old Scheme but provision of the Old Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Old Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Old Scheme.

A new share option scheme (the "New Scheme") of the Company was adopted and approved by the Company at the special general meeting of the Company held on 28 June 2013 whereby the directors of the Company are authorised, to invite the eligible person including but not limited to any directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group or any other person, who, at the sole discretion of the Board, has contributed to the Group, to take up options to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. The New Scheme shall be valid and effective for a period of 10 years ending on 28 June 2023, after which no further options will be granted.

The exercise price of options is determined by the board of directors at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or (c) the nominal value of the shares.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible person in any twelve-month period is limited to 1% of the issued share capital of the Company.

On 24 April 2015, the number of shares in respect of which options had been granted to directors, eligible persons and consultants under the New Scheme was 276,600,000, representing 8.15% of the shares of the Company in issue at that date.

The options outstanding at 30 June 2015 had exercise prices ranging from HK\$0.485 to HK\$33.19 (31 December 2014: HK\$0.485 to HK\$33.19) and a weighted average remaining contractual life of 9.47 years (31 December 2014: 9.50 years).

18. Share-based payment transactions (Continued)**Equity-settled share option scheme of the Company** (Continued)

The following tables summaries the movements in the Company's share options during the period ended 30 June 2015

| New Scheme | Grant date | At 1 January 2015 | Granted during the period | Exercised during the period | Lapsed during the period | At 30 June 2015 | Exercise period | Exercise price per share HK\$ |
|---|------------|-------------------------|---------------------------------|-----------------------------------|--------------------------------|-----------------------|-------------------------|--|
| Executive director and CEO | | | | | | | | |
| Dr. Kaneko Hiroshi | 3.7.2014 | 8,000,000 | — | — | — | 8,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | — | 10,000,000 | — | — | 10,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Executive directors | | | | | | | | |
| Mr. Li Zhixiong | 24.4.2015 | — | 6,000,000 | — | — | 6,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Mr. Fu Zhenjun | 3.7.2014 | 20,000,000 | — | — | — | 20,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | — | 8,000,000 | — | — | 8,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Mr. Kuang Yuanwei | 3.7.2014 | 20,000,000 | — | — | — | 20,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | — | 6,000,000 | — | — | 6,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| | | 48,000,000 | 30,000,000 | — | — | 78,000,000 | | |
| Other eligible employees | 3.7.2014 | 145,200,000 | — | (250,000) | (2,250,000) | 142,700,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | — | 128,600,000 | — | (1,000,000) | 127,600,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Consultants | 3.7.2014 | 20,000,000 | — | — | — | 20,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | — | 18,000,000 | — | — | 18,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| | 24.4.2015 | — | 100,000,000 | — | — | 100,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| | | 213,200,000 | 276,600,000 | (250,000) | (3,250,000) | 486,300,000 | | |
| Weighted average exercise price (HK\$) | | 0.49 | 0.78 | 0.49 | 0.58 | 0.65 | | |

18. Share-based payment transactions (Continued)**Equity-settled share option scheme of the Company** (Continued)

The following tables summaries the movements in the Company's share options during the period ended 30 June 2015 (Continued)

| Old Scheme | Grant date | At 1 January 2015 | Granted during the period | Exercised during the period | At 30 June 2015 | Exercise period | Exercise price per share HK\$ |
|---|------------|-------------------------|---------------------------------|-----------------------------------|-----------------------|-------------------------|--|
| Other eligible employees | 26.9.2006 | 144,714 | — | — | 144,714 | 26.9.2010- 25.9.2016 | 4.66 (note 1) |
| | 11.6.2008 | 115,833 | — | — | 115,833 | 11.6.2012- 10.6.2018 | 33.19 (note 2) |
| | | 260,547 | — | — | 260,547 | | |
| Weighted average exercise price (HK\$) | | 17.34 | — | — | 17.34 | | |

Notes:

- The number and the exercise price of share options remained outstanding have been adjusted due to share consolidation, rights issue, share reorganisation and open offer of the Company with effect from 8 March 2011, 25 July 2011, 7 October 2011 and 25 July 2012 respectively. The exercise price per share was adjusted from HK\$0.078 to HK\$4.66.
- The number and the exercise price of share options remained outstanding have been adjusted due to share consolidation, rights issue, share reorganisation and open offer of the Company with effect from 8 March 2011, 25 July 2011, 7 October 2011 and 25 July 2012 respectively. The exercise price per share was adjusted from HK\$0.556 to HK\$33.19.

19. Acquisition of intangible assets through acquisition of subsidiaries

On 23 February 2015, the wholly-owned subsidiary, Excel Growth Investment Limited ("Excel Growth"), entered into an agreement with an independent third party (the "Vendor") for the acquisition of the entire issued share capital of China New Oriental Household Holdings Limited ("New Oriental") and its subsidiaries (the "New Oriental Group") at total of 540,000,000 consideration shares and the Promissory Note of HK\$123,000,000. The first tranche of 229,090,909 consideration shares had been allotted and issued to the Vendor upon the completion of the sale and purchase of the shares of New Oriental Group. The second tranche of 125,000,000 consideration shares will be issued and delivered to the Vendor within 5 business days from the date of determining the net profits of the New Oriental Group for the financial year from 1 January 2015 to 31 December 2015. The third tranche of 150,000,000 consideration shares will be issued and delivered to the Vendor within 5 business days from the date of determining the net profits of the New Oriental Group for the financial year from 1 January 2016 to 31 December 2016. The fourth tranche of 35,909,091 consideration shares and the Promissory Note will be issued and delivered to the Vendor within 5 business days from the date of determining the net profits of the New Oriental Group for the financial year from 1 January 2017 to 31 December 2017.

19. Acquisition of intangible assets through acquisition of subsidiaries (Continued)

Pursuant to the sales and purchase agreement, the profit guarantee for New Oriental Group's total net profit after tax shall not be less than HK\$75,000,000, HK\$100,000,000 and HK\$120,000,000 for the years ending 31 December 2015, 2016 and 2017 respectively. If the net profit for any financial year is less than the guaranteed net profits indicated above, the balance of the consideration shares in respect of that period shall be reduced on a pro rata basis and such consideration shares to be delivered to the Vendor for such financial year will be reduced accordingly. The fair value of the profit guarantees of New Oriental Group was HK\$2,435,000 at the date of acquisition based on valuation performed by Roma Appraisals Limited, by using a probabilistic model.

New Oriental is a limited liability company incorporated in the British Virgin Islands. New Oriental Group is principally engaged in investment holding in the People's Republic of China and did not carry out any significant business transactions on acquisition date. In the opinion of the directors, the acquisition did not constitute an acquisition of business in substance. The acquisition of the intangible assets were then considered as acquisition of assets through acquisition of subsidiaries. Therefore, the acquisition was not accounted for as a business combination in accordance with HKFRS 3 — Business Combination. The acquisition of New Oriental Group was completed on 30 March 2015.

Assets and liabilities arising from the acquisition were as follows:

| | <i>HK\$'000</i> |
|--|-----------------|
| Intangible assets | 404,056 |
| Other payable | (41) |
| | <u>404,015</u> |
| Total purchase consideration | |
| Promissory notes | 66,517 |
| Consideration shares | 146,618 |
| Contingent consideration shares | 193,315 |
| Other financial assets | (2,435) |
| | <u>404,015</u> |
| Net cash flows arising on acquisition: | |
| Cash and cash equivalents in subsidiaries acquired | — |

20. Bank overdrafts and bank loans

At 30 June 2015, the Group's credit facilities amounting to approximately HK\$43,141,000 (31 December 2014: HK\$43,141,000) granted by banks and a credit company were secured by the followings:

- (i) (a) Bank deposit of the Group of approximately HK\$967,000 (31 December 2014: HK\$1,073,000); and
- (b) Certain listed equity investments of the Group of approximately HK\$6,087,000 (31 December 2014: HK\$5,576,000).

In addition, such loans are supported by the following guarantees:

- (a) guarantee given by a director of a subsidiary of HK\$13,000,000 (31 December 2014: HK\$13,000,000); and
 - (b) personal guarantee of HK\$26,500,000 (31 December 2014: HK\$26,500,000) and HK\$53,000,000 (31 December 2014: HK\$53,000,000) given by a former director and a non-executive director of the Company respectively.
- (ii) The bank loan of RMB44,432,000 (approximately equivalent to HK\$57,198,000) is supported by personal guarantee of RMB44,432,000 (approximately equivalent to HK\$57,198,000) put up by a director of the Company and his spouse; secured by certain land and buildings held by 中山嘉冠實業有限公司, a related company controlled by a director and his spouse.

21. Commitments

(a) Operating lease commitments

As lessee

At 30 June 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|---|--|--|
| Within one year | 9,937 | 11,413 |
| In the second to fifth years, inclusive | 13,737 | 18,387 |
| | 23,674 | 29,800 |

(b) Capital commitments

In addition to the above, the Group had the following capital commitments at the end of the reporting period:

| | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|--|--|--|
| Authorised, but not contracted for: Construction cost for the mining infrastructure | 633,637 | 630,611 |

22. Related party transactions and balances

- (a) In addition to the transaction detailed elsewhere in these financial statements, the Group had the following transactions with the related parties during the period, some of which are also deemed to be connected parties pursuant to the Listing Rules:

| Name of related parties | Nature | Notes | 2015 HK\$'000 | 2014 HK\$'000 |
|--|---|-------|------------------|------------------|
| Revenue/income from related parties: | | | | |
| 中山市新綠洲木業有限公司 (Zhongshan new oasis Wood Products Co., Ltd.* ("New Oasis")) | Sales of goods to a related company | (i) | — | 152,433 |
| Purchases/expenses paid to related parties: | | | | |
| 中山市新綠洲木業有限公司 New Oasis | Commission paid/payable to a related company | (i) | — | 153 |
| Ching Hing Weaving Dyeing and Printing Factory Limited | Management expenses paid/payable to a related company | (ii) | 480 | 420 |
| 中山市金島木業制品有限公司 (Zhongshan Jindao Wood products Co., Ltd.* ("Jindao")) | Purchase of raw material from a related company | (iii) | 24 | — |
| 中山市金島木業制品有限公司 Jindao | Rental expenses paid to a related company | (iii) | 4,490 | 526 |
| Total | | | 4,994 | 1,099 |

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

- (b) During the period, the key management personnel includes three executive directors (31 December 2014: five) and three non executive directors (31 December 2014: three).

Notes:

- (i) New Oasis was previously owned by an executive director of the Company Mr. Kuang Yuanwei.

On 23 April 2013, the Group's wholly-owned subsidiary Zhongshan Prado have entered into strategic cooperation agreement with New Oasis (the "Cooperation Agreement") for the sales of goods to New Oasis and the agency fee paid to New Oasis. Details of the Cooperation Agreement can be found in the circular of the Company dated 9 August 2013.

Such transactions carried out by Zhongshan Prado with New Oasis were in accordance with the terms of the Cooperation Agreement.

22. Related party transactions and balances (Continued)

Notes: (continued)

- (ii) A non-executive director of the Company Mr. Yiu Kwok Ming Tommy is also a director of Ching Hing Weaving Dyeing and Printing Factory Limited.
- (iii) An executive director of the Company Mr. Li Zhixiong and his spouse are beneficial owner and director of Jindao.

In the opinion of the directors, the transactions between the Group and the related parties were conducted in the ordinary course of business and based on prices mutually agreed between the parties and the Group.

23. Fair Value Measurement

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value

As at 30 June 2015 (Unaudited)

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Equity investments at fair value through profit or loss | 20,891 | — | — | 20,891 |
| Other financial assets: | | | | |
| Profit guarantees | — | — | 256,354 | 256,354 |
| Contingent consideration shares | — | — | (193,315) | (193,315) |
| | 20,891 | — | 63,039 | 83,930 |

23. Fair Value Measurement (Continued)**Assets measured at fair value** (Continued)**As at 31 December 2014 (Audited)**

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Equity investments at fair value through profit or loss | 14,547 | — | — | 14,547 |
| Other financial assets: | | | | |
| Profit guarantees | — | — | 253,919 | 253,919 |
| | 14,547 | — | 253,919 | 268,466 |

All of the Group's fair value measurement were revalued at the end of financial reporting date. The valuations were carried out by Roma Appraisals Limited with an independent experience professional qualified valuer in accordance with general accepted valuation standard in Hong Kong. The Group's management have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

During the six months ended 30 June 2015 and year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The Group's policy is to recognise transfers into and out of Level 3 as at the end of the reporting period.

Reconciliation of Level 3 fair value measurement of other financial assets is set out below is set out below:

| | 30 June 2015 HK\$'000 (Unaudited) |
|--------------------------------------|--|
| At beginning of the reporting period | 253,919 |
| Additions from acquisition | 2,435 |
| At end of the reporting period | 256,354 |

Reconciliation of level 3 fair value measurement of contingent consideration shares in set out below:

| | 2015 HK\$'000 (Unaudited) |
|--------------------------------------|---------------------------------|
| At beginning of the reporting period | — |
| Additions from acquisition | (193,315) |
| At end of the reporting period | (193,315) |

23. Fair Value Measurement (Continued)**Description of the valuation techniques and inputs used in Level 3 fair value measurement**

The fair value of other financial assets and contingent consideration shares are measured at fair value under probabilistic model and take into consideration of whether the profit guarantee is probable to be met. The management of the Group used its internal budgets and forecasts which included information about the fair value measurement using significant unobservable inputs.

Fair value measurements and valuation processes

The Directors have engaged independent professional qualified valuer, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages the independent qualified valuer to perform the valuation. The Directors of the Company works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the findings to the board of directors of the Company every year to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

24. Events after the reporting period

- (a) On 6 August 2015, the Company entered into the subscription agreements with the subscribers, pursuant to which the subscribers have conditionally agreed to subscribe or procure subscription by its nominee(s) for the convertible bonds in the principal amount of HK\$226,219,436 with the rights to convert into 665,351,280 conversion shares at initial conversion price of HK\$0.34 (subject to adjustments) per conversion share.

The subscription price payable by the subscribers or procured by the subscribers to be payable by its nominee(s) will be satisfied by fully setting off against the outstanding aggregate principal amount with accrued interest of the promissory notes of approximately HK\$238,125,722, including the principal amount of HK\$219,151,219 with total interest of approximately HK\$18,974,503. The above-mentioned principal amount of convertible bonds represents a discount of 5% to the outstanding amount of the promissory notes as agreed between the Company and the respective subscribers.

On 20 August 2015, the Company and respective subscribers further into supplemental agreements to amend certain terms of the convertible bonds under the supplemental agreements. For details of the terms, please make reference to the announcement dated 20 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the sales of household furniture, iron and titanium exploration, development and mining in the PRC and the information and technologies services during the period under review.

FINANCIAL RESULTS

For the first half of financial year 2015, the Group recorded a profit attributable to owners of the Company approximately HK\$65,371,000, representing a decrease of 3% as compared to the previous corresponding period. The Group turnover decreased to approximately HK\$820,002,000 as compared to HK\$851,184,000 in the previous corresponding period. The decrease was mainly due to the Group sold less investment securities in current period and hold investments in longer term to catch the wave of soaring securities market. On the other hand, the home furnishing business reported revenue of approximately HK\$794,542,000, representing a growth of approximately 1.5% from that of approximately HK\$782,536,000 for the previous corresponding period. In spite of the slower growth momentum of China's economy, the Group recorded a satisfactory growth in household furniture sales, which was mainly driven by the acquisition of Polar Sunshine and Kassade groups in the latter half of prior year.

The Group's distribution expenses incurred for the six months ended 30 June 2015 was amounted to approximately HK\$20,555,000, representing an increase of 78.3% compare with the previous corresponding period. Such increase was mainly caused by the increase in the promotion cost of the household business.

The administrative expenses increased substantially by approximately HK\$87,216,000 from approximately HK\$41,571,000 for the six months ended 30 June 2014 to approximately HK\$128,787,000 for the six months ended 30 June 2015. The increase was mainly due to the increase in equity settled share-based payments to employees and consultants and the increase in amortization of intangible assets acquired together with Polar Sunshine Group.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

REVIEW OF OPERATION

Home furnishing

The home furnishing segment recorded a turnover of approximately HK\$794,542,000 for the six months ended 30 June 2015, accounted for approximately 96.9% of the total turnover and an increase of approximately 1.53% over the previous corresponding period. Although the growth and the market environment in China slow down and remained challenging, the Group still recorded promising growth resulting from the acquisition in latter half of prior year. With the establishment of co-operation with Gaoli Lock announced earlier this year, the Group will tap in to the “Smart Home” business and expand its distribution network through the customers base of Gaoli Lock, which includes property developers and distributors.

Information and technologies

Due to the challenging economic environment and competitive rivalry within the industry, the information and technologies segment recorded a substantial decrease 99.95% from approximately HK\$13,243,000 in previous corresponding period to approximately HK\$6,000 for the six months ended 30 June 2015. The Group will continue to focus on the development of information technology related services in the People’s Republic of China and strive to maintain stability of operation in the second half of 2015.

Mining

During the period under review, the approval of the Mine is still in progress and the Group did not have any operations in mining business. The directors decided to postpone the mining plan and the Group expected all the required licences and approvals will be obtained by 2016. The Group will stay close to the market and move quickly to capture any advantage opportunities of its mining business.

The Group owns the mining rights with a total area of 7.89 square km. During the period under review, details of the resources and reserves are shown below:

(a) Resource summary (includes reserves)

| | Tonnage (Mt) | Grades | | Contained metals | |
|------------------------|-----------------|---------|----------------------|------------------|-----------------------|
| | | TFe (%) | TiO ₂ (%) | TFe (Kt) | TiO ₂ (Kt) |
| Taoyuan area | | | | | |
| Measured and indicated | 40.7 | 29.4 | 13.9 | 11,966 | 5,655 |
| Inferred | 18.2 | 29.9 | 13.6 | 5,442 | 2,475 |
| Dazuomugou area | | | | | |
| Measured and indicated | 9.9 | 29.5 | 13.0 | 2,920 | 1,287 |
| Inferred | 11.1 | 29.1 | 13.9 | 3,230 | 1,543 |

(b) Reserve summary

| | Tonnage (Mt) | Grades | | Contained metals | |
|-----------------|-----------------|---------|----------------------|------------------|-----------------------|
| | | TFe (%) | TiO ₂ (%) | TFe (Kt) | TiO ₂ (Kt) |
| Taoyuan area | | | | | |
| Proved | 21.5 | 29.4 | 14.0 | 6,321 | 2,996 |
| Probable | 19.2 | 29.4 | 13.8 | 5,645 | 2,650 |
| Dazuomugou area | | | | | |
| Proved | — | — | — | — | — |
| Probable | 9.9 | 29.5 | 13.0 | 2,920 | 1,287 |

There has been no material change in the estimated coal reserves and resources of the Group's iron and titanium dioxide mines as of 30 June 2015, and the estimated iron and titanium dioxide as at 31 December 2014 are set out in the table above.

Others

Others mainly represented the trading of securities, sales of garments and accessories and money lending business. The revenue and results of other segment increased as the holding gain improved resulting from the soaring securities market in the first half of year 2015.

Directors' Interest in Securities

As at 30 June 2015, the directors or their associates have the following interest or short position in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code"):

Share — long position

The Company:

| Name of director | Number of shares held | | | | Total |
|------------------|-----------------------|------------------|---------------------|-----------------|-------------|
| | Personal interests | Family interests | Corporate interests | Other interests | |
| Mr. Li Zhixiong | 309,991,666 | 43,430,000 | — | — | 353,421,666 |

Interest in underlying share

The directors of the company have been granted options under the Company's share option scheme, details of which are set out in note 18 to the condensed consolidated interim financial statements.

Save as disclosed above and note 18 to the condensed consolidated interim financial statements, at no time during the period had the directors (including their spouse and children under 18 years of age) have any interest in, or been granted, or exercised, any right to subscribe for shares or debentures of the Company and its associated corporations.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders and other persons interests in shares and underlying shares

Any parties (other than the directors) have long positions in the shares and underlying shares as recorded in the register are required to be kept by the Company pursuant to Section 336 of the SFO. As at 30 June 2015, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Share — long position

The Company:

| Name | | Number of underlying shares interested | Percentage of issued share capital at 30 June 2014 |
|---|--|--|--|
| Wu Guanwen | Beneficial owner | 43,430,000 | 1.28% |
| | Held by spouse (Note 1) | 309,991,666 | 9.11% |
| Lin Kai | Beneficial owner | 356,000,000 | 10.46% |
| Munsun Smart Household Fund LP | Beneficial owner (Note 2,3 and 4) | 381,960,000 | 11.22% |
| Munsun New Technology Fund | Beneficial owner (Note 2,3 and 4) | 40,000 | 0.001% |
| Munsun Asset Management (Asia) Limited | Interest of a controlled corporation (Note 2, 3 and 4) | 382,000,000 | 11.22% |
| Munsun Assets Management Ltd | Interest of a controlled corporation (Note 3 and 4) | 382,000,000 | 11.22% |
| China Precious Metal Resources Holdings Co., Ltd. | Interest of a controlled corporation (Note 4) | 382,000,000 | 11.22% |

Interest in underlying shares

| Name | | Number of underlying shares interested | Percentage of issued share capital at 30 June 2015 |
|--------------------------|---------------------------|---|---|
| Noble Wonderland Limited | Beneficial owner (Note 5) | 533,333,333 (Note 5 and 6) | 15.67% |

Notes:

- Ms. Wu Guanwen is the spouse of Mr. Li Zhixiong, whose interest was disclosed in previous section.
- Munsun Asset Management (Asia) Limited holds a 100% interest in Munsun Smart Household Fund LP and Munsun New Technology Fund. Accordingly, Munsun Asset Management (Asia) Limited is deemed to have interests in the shares held by Munsun Smart Household Fund LP and Munsun New Technology Fund.
- Munsun Asset Management Ltd holds a 100% interest in Munsun Asset Management (Asia) Limited. Accordingly, Munsun Asset Management Ltd is deemed to have interests in the shares held by Munsun Smart Household Fund LP and Munsun New Technology Fund or deemed to be interested by Munsun Asset Management (Asia) Limited.
- China Precious Metal Resources Holdings Co., Ltd. holds a 100% interest in Munsun Asset Management Ltd. Accordingly, China Precious Metal Resources Holdings Co., Ltd. is deemed to have interests in the shares held by Munsun Smart Household Fund LP and Munsun New Technology Fund or deemed to be interested by Munsun Asset Management (Asia) Limited and Munsun Asset Management Ltd.
- Noble Wonderland Limited is legally and beneficially wholly owned by Mr. Chen Yaxing. As at 30 June 2015, it held HK\$480,000,000 convertible bonds of the Company.
- The interest represents the maximum number of new shares which may be issued upon the full conversion of convertible bonds issued by the Company at the conversion price HK\$0.9 per share.

Liquidity and Financial Resources

At 30 June 2015, the Group had total assets of HK\$3,670,989,000, financed by total liabilities of HK\$1,808,712,000 and total equity of HK\$1,862,277,000. Accordingly, the Group's ratio of debts to total assets and debts to equity are 49% (31 December 2014: 46%) and 97% (31 December 2014: 84%), respectively.

The Group generally financed its operations by internal cash resources, bank financing and bond issuance. As at 30 June 2015, the Group had cash on hand, bank deposits and bank balances for aggregate amount of about HK\$388,146,000 (of which about HK\$970,000 was pledged with banks for trade finance facilities for the Group) and unutilised banking facilities for a total amount of about HK\$19,777,000

During the period under review, the Group issued the bonds with an aggregate principal amount of HK\$78,183,000. At 30 June 2015, the Group had an aggregate principal amount of HK\$416,183,000 of bonds in issue. The coupon rates of these bonds are ranging from 5% to 8% per annum with maturity dates from September 2015 to March 2023.

Capital Structure

There was no change in the capital structure of the Company during the period under review.

PLEDGE OF ASSETS

As at 30 June 2015, the Group's bank deposits of approximately HK\$970,000 were pledged with banks for banking facilities of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRADING SCHEMES

As at 30 June 2015, the Group employed about 393 employees including sales and merchandising, accounting and administrative staff in Hong Kong and the PRC. The total staff costs and directors' remuneration for the six months ended 2015 were approximately HK\$59,377,000. Employees are remunerated based on market and industry practice. The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 23 February 2015, Excel Growth Investments Limited, a wholly-owned subsidiary of the Company entered into an agreement with the independent third party for the acquisition of the entire issued share capital of China New Oriental Household Holdings Limited and its subsidiaries (the "New Oriental Group") at a consideration of HK\$420,000,000 which subject to adjustment of the amount of profit guarantee for the relevant profit generated period). The deal was completed on 30 March 2015. Upon Completion, the Company has issued the 229,090,909 Consideration Shares to the Vendor at the issue price of HK\$0.55 per consideration share in satisfaction of the Consideration. The remaining unissued 310,909,091 Consideration Shares and the Promissory Note of HK\$123,000,000 will be issued and/or delivered to the Vendor after the profit guarantee were satisfied for the relevant profit generated period. The New Oriental Group will be principal engaged in trading of intelligent household products.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

For the period under review, the company has complied with all the applicable code provisions in the code on Corporate Governance Practices and the CG code as set out in Appendix 14 of the Listing Rules during the period from 1 January 2015 to 30 June 2015, except for the deviation discussed below:

In respect of Code Provision A6.7 of the CG code, Mr. Li Zhixiong and Mr. Kuang Yuanwei, the executive directors, Mr. Li Dikang, a non-executive director, Mr. Loke Yu and Lin Xuebin, the independent non-executive directors, were unable to attend the annual general meeting of the Company held on 29 June 2015 (the "AGM") due to other crucial business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. As confirmed by all directors after specific enquiry, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its Listed Securities during the six months ended 30 June 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Dr. Loke Yu (Chairman of the Committee), Mr. To Yan Ming, Edmond and Mr. Lin Xuebin (appointed as member of audit committee on 4 May 2015). The Audit Committee has reviewed the Unaudited Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2015. The Audit Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

REMUNERATION COMMITTEE

The Remuneration Committee is established to determine the compensation structure and rewards for the CEO and other executive directors and monitors the policies being applied in remunerating other senior executives. The Remuneration Committee comprises two independent non-executive directors, namely Mr. To Yan Ming, Edmond (Chairman of the Committee) and Mr. Lin Xuebin and one executive director, namely Dr. Kaneko Hiroshi. The Remuneration Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

NOMINATION COMMITTEE

The Nomination Committee is responsible for selecting Board members and ensuring transparency of the selection process. The Nomination Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into considerations criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nominated for directorship. The Committee currently comprises two independent non-executive directors, namely Mr. To Yan Ming, Edmond (Chairman of the Committee), and Dr. Loke Yu and one executive director, namely Dr. Kaneko Hiroshi. The Nomination committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

MEMBERS OF THE BOARD

Executive Directors:

Dr. Kaneko Hiroshi
Mr. Li Zhixiong
Mr. Fu Zhenjun
Mr. Kuang Yuanwei

Non-executive Directors:

Mr. Li Dikang (*appointed on 4 May 2015*)
Mr. Xie Jianming (*resigned on 4 May 2015*)
Mr. Zhu Qi (*resigned on 4 May 2015*)

Independent Non-executive Directors:

Mr. To Yan Ming, Edmond
Dr. Loke Yu
Mr. Lin Xuebin