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GRANDE

THE GRANDE HOLDINGS LIMITED

嘉域集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
OPERATING RESULTS:		
Revenue	139	280
Profit/(loss) for the period attributable to the shareholders of the Company	<u>2,647</u>	<u>(19)</u>
PER SHARE DATA:		
Basic earnings/(loss) per share (<i>HK\$</i>)	1.82	(0.04)
Diluted earnings/(loss) per share (<i>HK\$</i>)	<u>1.82</u>	<u>(0.04)</u>

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of The Grande Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Period”), together with the comparative figures for the corresponding period in the preceding financial year and selected explanatory notes are stated as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 June 2016	30 June 2015
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
			(Restated)
REVENUE	7	139	280
Cost of sales		<u>(88)</u>	<u>(209)</u>
Gross profit		51	71
Other income		13	2
Distribution costs		(3)	(6)
Administrative expenses		(41)	(49)
Allowance for doubtful debts		–	(1)
Impairment loss recognised in respect of			
brands and trademarks	14	(191)	–
Gain on discharge of liabilities	8	2,636	–
Gain on deconsolidation of subsidiaries	9	32	–
Provisional liquidators’ fees	10	(2)	(3)
Restructuring costs	10	(22)	(20)
Other expenses		<u>(2)</u>	<u>(2)</u>
PROFIT/(LOSS) BEFORE TAX	11	2,471	(8)
Tax	12	<u>39</u>	<u>(15)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>2,510</u>	<u>(23)</u>

		(Unaudited)	
		Six months ended	
		30 June 2016	30 June 2015
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
			(Restated)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of the Company		2,647	(19)
Non-controlling interests		(137)	(4)
		<u>2,510</u>	<u>(23)</u>
EARNINGS/(LOSS) PER SHARE			
	<i>13</i>	<i>HK\$</i>	<i>HK\$</i>
Basic		<u>1.82</u>	<u>(0.04)</u>
Diluted		<u>1.82</u>	<u>(0.04)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
Notes	HK\$ million	<i>HK\$ million</i>
		(Restated)
PROFIT/(LOSS) FOR THE PERIOD	<u>2,510</u>	<u>(23)</u>
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(14)	2
Reclassification adjustments relating to deconsolidation of overseas subsidiaries	9 <u>88</u>	<u>–</u>
	<u>74</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD	<u>2,584</u>	<u>(21)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Shareholders of the Company	2,735	(19)
Non-controlling interests	<u>(151)</u>	<u>(2)</u>
	<u>2,584</u>	<u>(21)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2016 <i>HK\$ million</i>	(Audited) As at 31 December 2015 <i>HK\$ million</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Brands and trademarks	<i>14</i>	259	450
Plant and equipment		–	1
Investment properties		–	1
Deferred tax assets		11	9
Other assets		1	1
		<hr/> 271	<hr/> 462
CURRENT ASSETS			
Inventories		30	36
Accounts and bills receivable	<i>15</i>	15	37
Prepayments, deposits and other receivables		13	21
Tax recoverable		2	–
Pledged deposits with banks		–	4
Cash and bank balances		483	474
		<hr/> 543	<hr/> 572
CURRENT LIABILITIES			
Bank overdraft		–	2
Accounts and bills payable	<i>16</i>	5	8
Accrued liabilities and other payables		104	3,337
Tax liabilities		48	88
Provision for legal claims		–	452
		<hr/> 157	<hr/> 3,887

		(Unaudited) As at 30 June 2016 <i>HK\$ million</i>	(Audited) As at 31 December 2015 <i>HK\$ million</i>
NET CURRENT ASSETS/(LIABILITIES)		<u>386</u>	<u>(3,315)</u>
NON-CURRENT LIABILITIES			
Amounts due to deconsolidated subsidiaries	<i>17</i>	<u>490</u>	<u>–</u>
NET ASSETS/(LIABILITIES)		<u>167</u>	<u>(2,853)</u>
CAPITAL AND RESERVES			
Share capital	<i>18</i>	55	46
Share premium		386	1,173
Reserves		<u>(435)</u>	<u>(4,384)</u>
EQUITY/(DEFICIENCY OF EQUITY) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		6	(3,165)
NON-CONTROLLING INTERESTS		<u>161</u>	<u>312</u>
TOTAL EQUITY/(DEFICIENCY OF EQUITY)		<u>167</u>	<u>(2,853)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda. The address of its registered office is Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda. The principal place of business is 11th Floor, The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong. The shares of the Company (the “Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s immediate holding company is Sino Bright Enterprises Co., Ltd., a company incorporated in the British Virgin Islands. The Company’s ultimate holding company is Accolade (PTC) Inc., a company incorporated in the British Virgin Islands, being the trustee to a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited.

The Company is an investment holding company. The principal activities of the Company’s major subsidiaries are holding and licensing of brands and trademarks on a world-wide basis, and distribution of household appliances and audio products in the United States of America.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars, the functional currency of the Company, and all values are rounded to the nearest million (HK\$ million) unless otherwise stated.

The Shares were suspended from trading since 30 May 2011. During the Period, the Company completed the restructuring of the Group and fulfilled all resumption conditions imposed by the Stock Exchange and trading in the Shares resumed on 30 May 2016. Major events relating to the restructuring and the resumption of trading in the Shares during the Period are summarised as follows:

9 March 2016	Dispatch of the resumption circular to the shareholders of the Company (the “Circular”)
1 April 2016	Special general meeting held to approve the capital reorganisation, the open offer (the “Open Offer”), the schemes of arrangement (the “Schemes”) with the scheme creditors of the Company, election and re-election of directors; and adoption of new bye-laws

15 April 2016	The Schemes were sanctioned by the High Court of the Hong Kong Special Administrative Region (the “High Court of Hong Kong”) and the Supreme Court of Bermuda
23 April 2016	Dispatch of the prospectus documents for the Open Offer
9 May 2016	Valid acceptances and payment of the Open Offer were received
9 May 2016	Orders granted by the High Court of Hong Kong regarding the permanent stay of the winding up of the Company and release and discharge of the provisional liquidators (“Provisional Liquidators”) with effect from the completion of the Schemes, subject to certain conditions
26 May 2016	1,150,568,300 new shares of HK\$0.01 each in the Company were issued under the Open Offer (the “Offer Shares”) and 3,881,437,269 new shares of HK\$0.01 each in the Company were issued to creditors under the Schemes (the “Creditors Shares”)
26 May 2016	Resumption conditions imposed by the Stock Exchange were fulfilled
26 May 2016	Provisional Liquidators were released and discharged
30 May 2016	The Shares resumed trading on the Stock Exchange

For details of the fulfillment of the resumption conditions imposed by the Stock Exchange, please refer to the Company’s announcement dated 26 May 2016.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

These unaudited 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 value as appropriate.

3. GOING CONCERN BASIS OF PREPARATION OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As mentioned in Note 1 to the unaudited condensed consolidated interim financial statements, the restructuring of the Company was completed on 26 May 2016 and the Group recorded net current assets of HK\$386 million and net assets of HK\$167 million as at 30 June 2016. The Directors have classified liabilities due to the deconsolidated subsidiaries (the “Deconsolidated Subsidiaries”) of HK\$490 million as long term liabilities as explained in Note 17. Taking into account cash resources and funds receivable from its ongoing licensing activities, the Directors are of the view that the Company is able to meet in full its financial obligations as they fall due in the foreseeable future, and the unaudited condensed consolidated interim financial statements have therefore been prepared on a going concern basis.

4. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in preparing the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2016:

HKFRS 14	Regulatory deferral accounts
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group’s results and financial position for the current and prior periods, nor any substantial changes in the Group’s accounting policies.

The Group has not early applied any new standard or interpretation that is not yet effective for the current accounting period.

5. COMPARATIVE FIGURES

Certain figures in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been restated to conform with the presentation of the audited consolidated financial statements for the year ended 31 December 2015.

6. SEGMENT INFORMATION

The Group currently organises its operations into the following reportable operating segments.

Operating segments	Principal activities
Emerson	Distribution of household appliances and audio products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business on a worldwide basis – Comprising the brands and trademarks of Akai, Sansui and Nakamichi

(a) *Unaudited revenue and results of the Group by operating segment:*

For the six months ended 30 June 2016

	Emerson <i>HK\$ million</i>	Licensing <i>HK\$ million</i>	Unallocated <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Revenue:				
Sale of goods to external customers	99	–	–	99
Licensing income from external customers	<u>18</u>	<u>22</u>	<u>–</u>	<u>40</u>
Total	<u><u>117</u></u>	<u><u>22</u></u>	<u><u>–</u></u>	<u><u>139</u></u>
Results:				
Segment results	<u><u>(6)</u></u>	<u><u>17</u></u>		11
Reconciliation:				
Unallocated corporate expenses			(1)	(1)
Impairment loss recognised in respect of brands and trademarks	(191)	–		(191)
Gain on discharge of liabilities			2,636	2,636
Gain on deconsolidation of subsidiaries			32	32
Write back of long outstanding liabilities			7	7
Provisional liquidators' fees			(2)	(2)
Restructuring costs			(22)	(22)
Interest income			1	<u>1</u>
Profit before tax				<u><u>2,471</u></u>

For the six months ended 30 June 2015 (Restated)

	Emerson <i>HK\$ million</i>	Licensing <i>HK\$ million</i>	Unallocated <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Revenue:				
Sale of goods to external customers	236	–	–	236
Licensing income from external customers	<u>22</u>	<u>22</u>	<u>–</u>	<u>44</u>
Total	<u><u>258</u></u>	<u><u>22</u></u>	<u><u>–</u></u>	<u><u>280</u></u>
Results:				
Segment results	<u><u>3</u></u>	<u><u>17</u></u>		20
Reconciliation:				
Unallocated corporate expenses			(5)	(5)
Provisional liquidators' fees			(3)	(3)
Restructuring costs			(20)	(20)
Allowance for doubtful debts			(1)	(1)
Interest income			1	<u>1</u>
Loss before tax				<u><u>(8)</u></u>

(b) Geographical segments:

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Revenue:		
Asia	18	16
North America	119	260
Europe	<u>2</u>	<u>4</u>
Total	<u><u>139</u></u>	<u><u>280</u></u>

7. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activities for the Period is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
By principal activities:		
Sales of goods	99	236
Licensing income	40	44
	139	280

8. GAIN ON DISCHARGE OF LIABILITIES

During the Period, as explained in Note 1 and pursuant to the Schemes, all the liabilities of the Company totaling HK\$3,080 million under the Schemes were discharged by the cash consideration of approximately HK\$106 million and the issuance of 3,881,437,269 Creditors Shares to the schemes creditors at an issue price of HK\$0.087 per share. The gain on discharge of liabilities of HK\$2,636 million represents the excess of liabilities discharged over the cash consideration of approximately HK\$106 million and the issuance of Creditors Shares valued at approximately HK\$338 million.

9. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

As mentioned and defined in the Circular, all the Excluded Companies have ceased to be subsidiaries or associated companies of the Company and their results, assets and liabilities are no longer consolidated into the Group's financial statements effective as of 30 June 2016. The Directors have, in addition to the Excluded Companies, identified 23 dormant subsidiaries and commenced liquidation proceedings. These subsidiaries were also excluded from the unaudited condensed consolidated interim financial statements and were classified with the Excluded Companies as the Deconsolidated Subsidiaries. The gain on deconsolidation of subsidiaries is analysed as follows:

	(Unaudited) Six months ended 30 June 2016 HK\$ million
Assets and liabilities deconsolidated are as follows:	
Plant and equipment	(1)
Investment properties	(1)
Cash and bank balances	(6)
Prepayments, deposits and other receivables	(4)
Amounts due by the Group to the Deconsolidated Subsidiaries (<i>Note 17</i>)	(490)
Accounts and bills payable	5
Accrued liabilities and other payables	615
Tax liabilities	2
Release of reserves	(88)
	<hr/>
Gain on deconsolidation of subsidiaries	32 <hr/> <hr/>

In the Unaudited Pro Forma Financial Information of the Group attached as Appendix III to the Circular, the Company had shown a gain on deconsolidation of subsidiaries of HK\$586 million. The difference between this gain and the HK\$32 million gain as shown above, is largely due to the Directors view that the Group still has a remaining liability due to the Deconsolidated Subsidiaries amounting to HK\$490 million (as set out in Note 17) and that this should be provided for, until such time as individual Deconsolidated Subsidiaries are fully liquidated or struck off.

10. PROVISIONAL LIQUIDATORS' FEES AND RESTRUCTURING COSTS

As at the date of this announcement, the Company has not received all the required information and analyses from the former Provisional Liquidators regarding the total restructuring costs and provisional liquidators' fees incurred by the Company. For prudence sake, the Company recorded all the unpaid invoices relating to the restructuring as restructuring costs or provisional liquidators' fees in the unaudited condensed consolidated interim financial statements. In addition, the former Provisional Liquidators had transferred a sum of HK\$34 million from the bank account of the Group to the High Court of Hong Kong. It was also understood that Sino Bright Enterprises Co., Ltd., a creditor as defined in the Circular, has deposited HK\$20 million with the High Court of Hong Kong to settle the restructuring costs, in return for Creditors Shares. The Company has accounted for these two amounts as part of the payment of provisional liquidators' fees and restructuring costs. Upon receipt of further documentary evidence from the former Provisional Liquidators, the Company will conduct a review and make appropriate adjustments, if necessary, to ascertain the amounts of provisional liquidators' fees and restructuring costs to be included in future financial statements accordingly.

11. PROFIT/(LOSS) BEFORE TAX

The profit/(loss) before tax is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
(a) Staff costs		
Salaries and other benefits	16	19
Retirement benefits costs	4	2
	<u>20</u>	<u>21</u>
(b) Other items		
Operating lease rentals in respect of land and buildings	4	5
Auditor's remuneration	2	2
Carrying amount of inventories sold	84	203
Write down of inventories	4	6
Write back of long outstanding liabilities	(7)	–
Interest income	(1)	(1)
	<u>(1)</u>	<u>(1)</u>

12. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
The tax (credit)/charge comprises:		
Current tax – Overseas	–	–
(Over)/under provision in prior period – Overseas	(37)	13
Deferred tax – Overseas	<u>(2)</u>	<u>2</u>
	<u>(39)</u>	<u>15</u>

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share:

The calculation of basic earnings/(loss) per share is based on the following data:

	(Unaudited)	
	Six months ended	
	30 June 2016	30 June 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Profit/(loss):		
Profit/(loss) attributable to shareholders of the Company used in the basic earnings/(loss) per share calculation	<u>2,647</u>	<u>(19)</u>

	30 June 2016	30 June 2015
	Number of ordinary shares million	Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings/(loss) per share	<u><u>1,455.6</u></u>	<u><u>460.2</u></u>

(b) Diluted earnings/(loss) per share:

Diluted earnings/(loss) per share equals basic earnings/(loss) per share as the Company has no dilutive potential ordinary shares in existence during both the period ended 30 June 2016 and 2015.

The earnings per share for the Period included a non recurring gain on discharge of liabilities of HK\$2,636 million as set out in Note 8.

14. BRANDS AND TRADEMARKS

	(Unaudited)	(Audited)
	30 June 2016	31 December 2015
	HK\$ million	HK\$ million
Gross amount		
At 1 January	2,014	2,015
Foreign currency adjustment	<u>1</u>	<u>(1)</u>
At balance sheet date	<u>2,015</u>	<u>2,014</u>
Accumulated amortisation and impairment		
At 1 January	1,564	1,352
Foreign currency adjustment	1	(1)
Impairment loss recognised during the period	<u>191</u>	<u>213</u>
At balance sheet date	<u>1,756</u>	<u>1,564</u>
Carrying amount at balance sheet date	<u><u>259</u></u>	<u><u>450</u></u>

Brands and trademarks are allocated to the Group's cash-generating units identified according to operating segment as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Emerson	90	281
Licensing	169	169
	<hr/>	<hr/>
Total	259	450
	<hr/> <hr/>	<hr/> <hr/>

In light of the loss of a major licensee in the current year and the significant decrease in the distribution of household appliances and audio products of Emerson during the Period, the Directors decided to perform an independent professional valuation of the Emerson trademark as of 30 June 2016. Based on the independent valuation report dated 10 August 2016, a write down of HK\$191 million was charged to the unaudited condensed consolidated interim financial statements. This was done in order to reflect the current assessed carrying amount of the trademark of Emerson as at the end of the Period.

As there were no significant changes to the operation of the Company's licensing business for the Period, and as no significant deterioration of licensing income for Akai, Sansui and Nakamichi is anticipated, the Directors do not expect there to be any impairment in the value of the trademarks of these three brands.

15. ACCOUNTS AND BILLS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers.

	(Unaudited)	(Audited)
	30 June	31 December
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Gross amount	57	95
Less: allowance for doubtful debts	(42)	(58)
	<hr/>	<hr/>
Net amount	15	37
	<hr/> <hr/>	<hr/> <hr/>

The Directors consider that the carrying amounts of accounts and bills receivable approximate to their fair values.

The ageing analysis of accounts and bills receivable (net of allowance for doubtful debts) is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
0 – 3 months	15	37

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The ageing analysis of accounts and bills receivable past due but not impaired is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
0 – 3 months	5	4

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above accounts and bills receivable which are past due but not impaired are still considered to be fully recoverable.

16. ACCOUNTS AND BILLS PAYABLE

The ageing analysis of accounts and bills payable is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
0 – 3 months	5	3
3 – 6 months	–	–
Over 6 months	–	5
	5	8

17. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

(Unaudited)

30 June

2016

HK\$ million

Amounts due to Deconsolidated Subsidiaries

490

As stated in Note 9, the Excluded Companies and 23 dormant subsidiaries were classified as the Deconsolidated Subsidiaries and have been excluded from the unaudited condensed consolidated interim financial statements. Upon deconsolidation, there were amounts in aggregate of HK\$490 million due to these Deconsolidated Subsidiaries. The Directors decided to classify these liabilities due to Deconsolidated Subsidiaries of HK\$490 million as long term liabilities for the reasons that (i) the liquidation of these companies is at the very initial stage and substantiation of claims will normally take quite some time to complete; (ii) even if claims have been established by the liquidators of these companies, the Group will definitely defend what is supposedly owing to these companies against the debts they owed to the Group; and that (iii) these liabilities are unlikely to become due and payable within the next 12 months.

18. SHARE CAPITAL

	<i>Notes</i>	Number of Shares ‘000	Share Capital HK\$ million
<i>Authorised:</i>			
Ordinary shares of HK\$0.1 each at 31 December 2015 (audited)		1,000,000	100
539,772,680 ordinary shares of HK\$0.1 each cancelled	<i>(a)</i>	<u>(539,773)</u>	<u>(54)</u>
		<u>460,227</u>	<u>46</u>
Capital Reduction (par value reduced to HK\$0.01)	<i>(b)</i>	460,227	4.6
Increase of capital	<i>(c)</i>	<u>19,539,773</u>	<u>195.4</u>
Ordinary shares of HK\$0.01 each at 30 June 2016 (unaudited)		<u><u>20,000,000</u></u>	<u><u>200</u></u>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.1 each at 31 December 2015 (audited)		<u>460,227</u>	<u>46</u>
Capital Reduction (par value reduced to HK\$0.01)	<i>(b)</i>	460,227	4.6
Shares issued under the Open Offer	<i>(d)</i>	1,150,568	11.5
Shares issued under the Schemes	<i>(e)</i>	<u>3,881,438</u>	<u>38.8</u>
Ordinary shares of HK\$0.01 each at 30 June 2016 (unaudited)	<i>(f)</i>	<u><u>5,492,233</u></u>	<u><u>54.9</u></u>

During the six months ended 30 June 2016, the movements in share capital were as follows:

- (a) The Company cancelled 539,772,680 unissued shares and the authorised share capital was diminished accordingly by HK\$53,977,268 from HK\$100,000,000 to HK\$46,022,732.
- (b) By the capital reduction, the par value of the issued shares of HK\$0.10 each of the Company was reduced from HK\$0.10 each to HK\$0.01 each (the “New Shares”). The authorised and issued share capital of the Company was reduced from HK\$46,022,732 to HK\$4,602,273.
- (c) By the creation of an additional 19,539,772,680 shares of HK\$0.01 each, the authorised share capital was increased from HK\$4,602,273 to HK\$200,000,000.
- (d) The Company issued 1,150,568,300 New Shares on the basis of five (5) Offer Shares for every two (2) New Shares.
- (e) The Companies issued 3,881,437,269 New Shares for the benefit of the creditors under the Schemes.
- (f) The total issued shares as at 30 June 2016 amounted to 5,492,232,889 New Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Company has been under the control of the former Provisional Liquidators from 31 May 2011 up to the date of their discharge on 26 May 2016. Since the formation of the new board of Directors on 30 May 2016, the Company has been focusing all its resources on its reorganisation along with the development and expansion of its distribution and licensing business. The Directors are committed to improving the operating and financial results.

The revenue of the Group for the six months ended 30 June 2016 was HK\$139 million as compared to HK\$280 million for the six months ended 30 June 2015 (the “Corresponding Period”), a decrease of 50.4%. The significant decrease in revenue was mainly due to the decrease in the revenue generated from the distribution of household appliances and audio products of Emerson. The Group recorded an unaudited net profit attributable to shareholders of HK\$2,647 million for the Period, as compared to an unaudited net loss attributable to shareholders of HK\$19 million for the Corresponding Period. The turnaround from net loss to net profit was mainly due to the significant gain of HK\$2,636 million arising from the discharge of liabilities due to the scheme creditors of the Company as set out in Note 8 , though partially offset by an impairment loss of HK\$191 million in respect of the trademark of Emerson as set out in Note 14.

The operations of the Group can be divided into Emerson operations and licensing operations for Akai, Sansui and Nakamichi brands.

Emerson operations

The revenue generated from the distribution of household appliances and audio products of Emerson for the current period was HK\$99 million as compared to HK\$236 million for the Corresponding Period. The major elements which contributed to the overall decrease in net product sales of HK\$137 million or 58% was due to the loss of business from a key customer, Target. Emerson was informed in November 2015 by this key customer that, commencing with the spring of 2016, it will discontinue retailing in its stores the Emerson-branded microwave oven and compact refrigeration products due to price competition. Emerson anticipates that the loss of these sales has had and is expected to continue to have a material adverse effect on Emerson’s business and results of operations, Emerson will continue to expand the existing distribution channels and to develop and promote new products to regain shelf spaces of these retailers in the United States of America.

Licensing revenue of Emerson for the current period was HK\$18 million as compared to HK\$22 million for the Corresponding Period, a decrease of HK\$4 million, or 18.2%, driven by lower year-on-year sales by Emerson's licensees of Emerson branded product. Emerson's largest license agreement is with Funai, which accounted for approximately 79% of Emerson's total period's licensing revenue. As at 16 December 2015, Emerson received written notice from Funai stating its intention to terminate the agreement, with effect on 31 December 2016. As a result of such termination, unless Emerson is successful in securing new licensees to replace the Funai licensing revenue, the Company expects its licensing revenue in 2017 will significantly decline.

Licensing operations

The revenue generated from this operation was HK\$22 million both for the Period and for the Corresponding Period. The operating profit of this operation for the Period and the Corresponding Period were also the same, amounting to HK\$17 million which comprised mainly the net licensing income received from the licensees.

Under the current licensing model, Akai, Sansui and Nakamichi will grant licensing rights to individual licensees around the world, authorising them to sell products under the respective trademark. In return, the licensees will pay a licensing fee ranging from 2% to 6% on the gross value of purchases that they make during a license year.

During the Period, there were a total of 30 contracts in place with licensees to distribute products in the brand names of Akai, Sansui and Nakamichi.

The Group is subject to geo-political challenges in particular countries under prevailing climates. Currency fluctuation also effects those licensees facing currency depreciation against the US dollars, which is the major currency we receive our licensing income from the licensees. On the other hand, our licensees usually obtain their products from mainland China and as the RMB was relatively strong as compared to non US denominated currencies, it also increased the cost of production of our licensees. The other major challenges come from competitive consumer electronic brands offering licensing opportunities. However, we have the advantage that we have built up and maintained a steady portfolio of licensees around the world. The Company believes that we can continue to maintain very strong relationships with our licensees and are ready to work with these licensing partners to tackle these challenges and strengthen their businesses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had a current ratio of approximately 3.46 (0.15 as at 31 December 2015).

As at 30 June 2016, the Group had HK\$483 million cash and bank balances (HK\$474 million as at 31 December 2015). The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK\$30 million as at 30 June 2016 (HK\$36 million as at 31 December 2015).

As at 30 June 2016, the Group had net current assets of HK\$386 million as compared to net current liabilities of HK\$3,315 million as at 31 December 2015.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the deconsolidation of subsidiaries as disclosed in Note 9, the Group did not make any material acquisition and disposal of subsidiaries and affiliated companies during the Period.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investment during the Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming 12 months.

GEARING RATIO

As the Group does not have any interest bearing debts, the gearing ratio as at 30 June 2016 was nil.

CHARGES ON GROUP ASSETS

As at 30 June 2016, certain of the Group's assets with a total carrying value of approximately HK\$159 million (HK\$154 million as at 31 December 2015) were pledged to secure banking and other borrowing facilities granted to the Deconsolidated Subsidiaries and the Group.

TREASURY POLICIES

The Group's revenues are mainly in US dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2016 was approximately 42 (50 as at 31 December 2015). The Group remunerates its employees mainly based on industry practice, individual performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance in the relevant financial year. Other benefits include medical and retirement schemes.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the Period (2015: nil).

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

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

Following the appointment of new directors and committee members of the Company and the resumption of trading in the shares of the Company on 30 May 2016 (the “Resumption Date”), the Board conducted a review of the Company’s corporate governance practices during the Period.

The Directors confirmed that the Company has complied with all principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules, during the Period since the Resumption Date, except for the code provisions of the CG Code as noted hereunder.

Appointments and Re-election of Directors

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. James Mailer, Mr. Kenneth Deayton and Mr. Chen Xiaoping, the independent non-executive Directors appointed with effect from the Resumption Date, are not subject to a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company. Mr. Kenneth Deayton resigned as an independent non-executive Director on 25 July 2016. In compliance with the CG Code, the Company entered into letters of appointment on 25 July 2016, with all the existing independent non-executive Directors for a specific term and subject to re-election.

Board Diversity

Under code provision A.5.6 of the CG Code, the nomination committee or the board should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. In order to comply with the CG Code, the Company intends to procure the adoption of a diversity policy.

Risk Management and Internal Control

Under code provision C.2.5 of the CG Code, issuers should have an internal audit function. Given the current scale of operations, the Company does not have an internal audit function. The Board has overall responsibilities for carrying out the analysis and independent appraisal of the adequacy and effectiveness of maintaining sound and effective risk management and internal control system of the Group. The Company will review the need for an internal audit function on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) which comprises all the three independent non-executive Directors is for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal controls. The Audit Committee has reviewed and confirmed with the management of the Company the unaudited consolidated results of the Group for the Period, the accounting principles and practices adopted by the Group, and discussed risk management, internal controls and financial reporting matters.

PUBLICATION OF 2016 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.grandeholdings.com). The 2016 Interim Report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
The Grande Holdings Limited
Tang Hoi Nam
Chairman and Executive Director

Hong Kong, 26 August 2016

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely, Mr. Tang Hoi Nam, Mr. Duncan Hon Tak Kwong, Mr. Eduard William Rudolf Helmuth Will and Mr. Manjit Singh Gill, and three independent non-executive directors, namely, Mr. James Mailer, Mr. Lau Ho Kit, Ivan and Mr. Chen Xiaoping.