



**GREEN INTERNATIONAL**

Holdings Limited

格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2700)

Interim Report  
**2016**



Green International Holdings Limited  
Interim Report 2016

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# Corporate Information

## DIRECTORS

### Executive Directors

Dr. Yang Wang Jian (*Chairman*)

Mr. Wong Man Keung  
(*Chief Executive Officer*)

Ms. Yang Jun

Mr. Chen Hanhong

Ms. Yang Ya

Dr. Yu Qigang

Ms. Eva Au

### Non-Executive Director

Ms. Yu Jiaoli

### Independent Non-Executive Directors

Mr. Yeung King Wah, Kenneth

Mr. Wu Hong

Mr. Low Chin Sin

Mr. Ye Yunhan

Prof. Zhu Yi Zhun

## AUDIT COMMITTEE

Mr. Low Chin Sin (*Chairman*)

Mr. Yeung King Wah, Kenneth

Mr. Wu Hong

## REMUNERATION COMMITTEE

Mr. Low Chin Sin (*Chairman*)

Mr. Yeung King Wah, Kenneth

Dr. Yang Wang Jian

## NOMINATION COMMITTEE

Dr. Yang Wang Jian (*Chairman*)

Mr. Low Chin Sin

Mr. Yeung King Wah, Kenneth

## COMPANY SECRETARY

Mr. Chau Kin Cheung Alfred

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3007-08, 30/F

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

DLA Piper Hong Kong

17/F, Edinburgh Tower

The Landmark

15 Queen's Road

Central

Hong Kong

## **AUDITORS**

McMillan Woods SG CPA Limited  
Unit C5, 15/F  
TML Tower  
3 Hoi Shing Road  
Tsuen Wan  
Hong Kong

## **PRINCIPAL BANKERS**

OCBC Wing Hang Bank Limited  
Bank of Communications Co., Limited

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
22/F, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **STOCK CODE**

2700 (listed on the Main Board of  
The Stock Exchange of Hong Kong  
Limited)

## **WEBSITE**

[http://www.irasia.com/listco/hk/  
greeninternational/](http://www.irasia.com/listco/hk/greeninternational/)

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	5	21,093	16,231
Direct costs and operating expenses		(5,316)	(7,556)
<b>Gross profit</b>		<b>15,777</b>	8,675
Other income and gains, net	6	4,082	762
Gain on bargain purchase on acquisition of subsidiaries	21	–	36,918
Gain on disposal of a subsidiary	22	3,005	–
Selling expenses		(14,815)	(15,164)
Administrative expenses		(37,007)	(25,639)
Fair value change of derivative instruments			
– Early redemption option	17(d) & 19(a)	(9,403)	–
<b>Operating (loss)/profit</b>	7	<b>(38,361)</b>	5,552
Finance costs, net	8	(7,230)	(718)
<b>(Loss)/Profit before income tax</b>		<b>(45,591)</b>	4,834
Income tax expense	9	(697)	(15)
<b>(Loss)/Profit for the period</b>		<b>(46,288)</b>	4,819
<b>(Loss)/Profit for the period attributable to:</b>			
Equity holders of the Company		(46,119)	4,700
Non-controlling interests		(169)	119
		<b>(46,288)</b>	4,819
<b>(Loss)/Earnings per share for (loss)/profit for the period attributable to the equity holders of the Company</b>			
– Basic and diluted (HK cents)	10	(2.34)	0.24
<b>Dividend</b>	11	–	–

The notes on pages 10 to 63 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/Profit for the period</b>	<b>(46,288)</b>	4,819
Other comprehensive income/(expense), net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences		
– Exchange differences arising during the period	<b>1,354</b>	(293)
– Reclassification adjustments relating to foreign operations disposed of during the period	<b>(240)</b>	–
	<b>1,114</b>	(293)
<b>Total comprehensive (expenses)/income for the period</b>	<b>(45,174)</b>	4,526
<b>Total comprehensive (expenses)/income for the period attributable to:</b>		
Equity holders of the Company	<b>(44,882)</b>	4,411
Non-controlling interests	<b>(292)</b>	115
	<b>(45,174)</b>	4,526

The notes on pages 10 to 63 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	26,521	25,148
Goodwill	12	–	–
Trademark user right and technical know-how	12	222,222	222,222
Other intangible assets		1,685	1,767
Derivative financial instruments			
– Put option	21	2,530	5,910
– Early redemption option	17(d)&19(a)	13,143	22,546
		<b>266,101</b>	277,593
<b>Current assets</b>			
Inventories		5,176	6,831
Promissory note receivables	14	139,442	–
Derivative financial instruments			
– Call options	14	35,039	–
Trade receivables	13	1,080	98,993
Loan receivables		24,500	51,000
Prepayments, deposits and other receivables		20,774	50,874
Tax recoverable		707	707
Cash and cash equivalents	15	45,131	53,129
		<b>271,849</b>	261,534
<b>Total assets</b>		<b>537,950</b>	539,127
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	16	19,725	19,725
Share premium		544,946	544,946
Other reserves		80,992	80,598
Accumulated losses		(347,646)	(301,527)
		<b>298,017</b>	343,742
<b>Non-controlling interests</b>		<b>3,965</b>	4,257
<b>Total equity</b>		<b>301,982</b>	347,999

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

		<b>30 June 2016</b>	31 December 2015
	<i>Notes</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<i>HK\$'000</i> <i>(Audited)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible bonds	17	<b>86,843</b>	44,669
Bonds payable	18	<b>13,219</b>	9,705
Contingent consideration payables	19	<b>26,619</b>	49,247
Deferred tax liabilities		<b>22,222</b>	22,222
		<b>148,903</b>	125,843
<b>Current liabilities</b>			
Trade payables	20	<b>3,099</b>	6,020
Other payables, accruals and deposits received		<b>36,864</b>	51,152
Convertible bonds	17	<b>46,575</b>	5,482
Tax payable		<b>527</b>	2,631
		<b>87,065</b>	65,285
<b>Total liabilities</b>		<b>235,968</b>	191,128
<b>Total equity and liabilities</b>		<b>537,950</b>	539,127
<b>Net current assets</b>		<b>184,784</b>	196,249
<b>Total assets less current liabilities</b>		<b>450,885</b>	473,842

The notes on pages 10 to 63 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to the equity holders of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based equity reserve* HK\$'000 (Unaudited)	Convertible bonds – equity component reserve* HK\$'000 (Unaudited)	Put option reserve* HK\$'000 (Unaudited)	Exchange reserve* HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2015	18,537	495,054	11,394	57,504	-	428	(128,187)	454,730	6,876	461,606
<b>Total comprehensive income/ (expenses) for the period</b>										
Profit for the period	-	-	-	-	-	-	4,700	4,700	119	4,819
Other comprehensive expenses for the period	-	-	-	-	-	(289)	-	(289)	(4)	(293)
	-	-	-	-	-	(289)	4,700	4,411	115	4,526
<b>Transaction with owners</b>										
Issue of shares on conversion of convertible bonds (Note 16(a)(ii))	581	24,419	-	(25,000)	-	-	-	-	-	-
Issue of convertible bonds (Note 17(c))	-	-	-	6,929	-	-	-	6,929	-	6,929
Issue of shares on conversion of convertible bonds (Note 16(a)(ii))	607	25,473	-	(26,080)	-	-	-	-	-	-
Acquisition of subsidiaries (Note 21)	-	-	-	75,908	-	-	-	75,908	1,342	77,250
Put option granted in relation to acquisition of subsidiaries (Note 21)	-	-	-	-	24,990	-	-	24,990	-	24,990
	1,188	49,892	-	31,757	24,990	-	-	107,827	1,342	109,169
At 30 June 2015	19,725	544,946	11,394	89,261	24,990	139	(123,487)	506,968	8,333	575,301
At 1 January 2016	<b>19,725</b>	<b>544,946</b>	<b>11,394</b>	<b>57,498</b>	<b>5,910</b>	<b>5,796</b>	<b>(301,527)</b>	<b>343,742</b>	<b>4,257</b>	<b>347,999</b>
<b>Total comprehensive (expenses)/ income for the period</b>										
Loss for the period	-	-	-	-	-	-	(46,119)	(46,119)	(169)	(46,288)
Other comprehensive income (expenses) for the period	-	-	-	-	-	1,237	-	1,237	(123)	1,114
	-	-	-	-	-	1,237	(46,119)	(44,882)	(292)	(45,174)
<b>Transaction with owners</b>										
Issue of convertible bonds (Note 17(e))	-	-	-	1,312	-	-	-	1,312	-	1,312
Issue of convertible bonds (Note 17(f))	-	-	-	1,225	-	-	-	1,225	-	1,225
Fair value change of put option (Note 21)	-	-	-	-	(3,380)	-	-	(3,380)	-	(3,380)
	-	-	-	2,537	(3,380)	-	-	(843)	-	(843)
At 30 June 2016	<b>19,725</b>	<b>544,946</b>	<b>11,394</b>	<b>60,035</b>	<b>2,530</b>	<b>7,033</b>	<b>(347,646)</b>	<b>298,017</b>	<b>3,965</b>	<b>301,982</b>

\* The other reserves as presented in the condensed consolidated statement of financial position are comprised of these reserve accounts.

The notes on pages 10 to 63 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities		<b>(39,443)</b>	(20,221)
Net cash used in investing activities		<b>(27,720)</b>	(47,038)
Net cash generated from financing activities		<b>58,500</b>	28,048
Net decrease in cash and cash equivalents		<b>(8,663)</b>	(39,211)
Cash and cash equivalents at 1 January		<b>53,129</b>	131,205
Effects of exchange rate changes on balances denominated in foreign currencies		<b>665</b>	(311)
Cash and cash equivalents at 30 June	15	<b>45,131</b>	91,683

## SIGNIFICANT NON-CASH TRANSACTIONS

During the six months ended 30 June 2016 and 30 June 2015, the Group had the following significant non-cash activities which are not reflected in the condensed statement of cash flows:

- (a) disposal of certain trade receivables in the carrying amount of HK\$95,576,103 to an independent third party by Sino Front Limited ("Sino Front"), a wholly-owned subsidiary of the Company, for a promissory note and a call option, details of which are stated in Note 14(a);
- (b) disposal of certain loans and other receivables in the carrying amount of HK\$79,598,533 to an independent third party by Green Capital (Hong Kong) Limited ("Green Capital"), a wholly-owned subsidiary of the Company, for a promissory note and a call option, details of which are stated in Note 14(b);
- (c) conversion of convertible bonds (Note 16(a)); and
- (d) issue of certain convertible bonds pursuant to acquisition of subsidiaries (Note 17(d)).

The notes on pages 10 to 63 are an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. GENERAL INFORMATION

Green International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2006.

The Company and its subsidiaries (the “Group”) was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the period.

The directors of the Company (the “Directors”) regard Gold Bless International Invest Limited (“Gold Bless”), a company incorporated in the British Virgin Islands, as being the immediate and ultimate holding company of the Company.

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the board of Directors (the “Board”) on 18 August 2016.

These condensed consolidated interim financial statements have not been audited.

# Notes to the Condensed Consolidated Interim Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

### 2.1 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration payables and derivative financial instruments, which are carried at fair value.

Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

With the exception of adoption of new and revised HKFRSs which are effective to the Group for accounting periods beginning on or after 1 January 2016 (Note 2.2), the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements. The adoption of the new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of new and revised HKFRSs but is not yet in a position to state whether new and revised HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Condensed Consolidated Interim Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

### 2.2 Application of new standards and amendments

The following new standards and amendments are mandatory for the first time for the financial year beginning on 1 January 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
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 HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of these new standards and amendments has no material effect on the amounts reported and disclosure set out in the condensed consolidated interim financial statements of the Group for the current or prior accounting period.

# Notes to the Condensed Consolidated Interim Financial Statements

## **3. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

## **4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015. There have been no changes in any risk management policies since the year end.

# Notes to the Condensed Consolidated Interim Financial Statements

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### Fair value estimation on a recurring basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2016.

	Level 1 <i>HK\$'000</i> (Unaudited)	Level 2 <i>HK\$'000</i> (Unaudited)	Level 3 <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Derivative financial instruments				
– Call options	–	35,039	–	35,039
– Put option	–	2,530	–	2,530
– Early redemption option	–	13,143	–	13,143
Contingent consideration payables	–	–	26,619	26,619

# Notes to the Condensed Consolidated Interim Financial Statements

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### Fair value estimation on a recurring basis *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2015.

	Level 1 <i>HK\$'000</i> (Audited)	Level 2 <i>HK\$'000</i> (Audited)	Level 3 <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Derivative financial instruments				
– Put option	–	5,910	–	5,910
– Early redemption option	–	22,546	–	22,546
Contingent consideration payables	–	–	49,247	49,247

As one or more of the significant inputs to fair value the derivative financial instruments is derived from observable market data, they are included in Level 2. The valuation techniques used to value the call option, put option and the early redemption option is the binomial tree pricing model and the partial differential equation method, respectively.

As the significant inputs to fair value the contingent consideration payables is not based on observable market data, it is included in Level 3. The valuation technique used to value it is discounted cash flow.

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the periods.

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION

The Group primarily operates in Hong Kong and the People's Republic of China (the "PRC"). The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business segments represents a strategic business unit that offers products or services which is subject to risks and returns that are different from those of the other business segments. The Group's business segments are as follows:

- (a) the toys business segment engages in the manufacturing and trading of recreational and educational toys and equipment;
- (b) the clubhouse business segment engages in the operation of clubhouse business; and
- (c) the beauty and wellness business segment engages in the provision of beauty and wellness related services.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue of the Group by operating segments and geographical regions is as follows:

	Toys business <i>HK\$'000</i> (Unaudited)	Clubhouse business <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
<b>Six months ended 30 June 2016</b>				
The PRC	<b>2,450</b>	<b>5,657</b>	<b>12,986</b>	<b>21,093</b>
<b>Six months ended 30 June 2015</b>				
Hong Kong	162	-	-	162
The PRC	3,099	8,616	4,291	16,006
Japan	63	-	-	63
	<b>3,324</b>	<b>8,616</b>	<b>4,291</b>	<b>16,231</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for toys business segment and clubhouse/beauty and wellness segment, respectively. There was no revenue from a customer contributing over 10% of total revenue of the Group for the six months ended 30 June 2016. During the six months ended 30 June 2015, revenue of approximately HK\$3,099,000 was derived from 1 major customer who individually accounted for more than 10% of the Group's total revenue.

Results by operating segments are as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2015</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Toys business	<b>50</b>	(1,711)
Clubhouse business	<b>(10,479)</b>	(14,857)
Beauty and wellness business	<b>79</b>	1,151
<hr/>		
Total net operating loss		
by operating segments	<b>(10,350)</b>	(15,417)
Unallocated corporate expenses, net	<b>(24,703)</b>	(15,949)
Gain on bargain purchase on acquisition of subsidiaries	–	36,918
Gain on disposal of a subsidiary	<b>3,005</b>	–
Gain on disposal of trade receivables	<b>175</b>	–
Gain on issuance of bonds payable	<b>3,880</b>	–
Loss on disposal of other receivables	<b>(965)</b>	–
Fair value change of derivative financial instruments		
– Early redemption option	<b>(9,403)</b>	–
Finance costs, net	<b>(7,230)</b>	(718)
<hr/>		
(Loss)/Profit before income tax	<b>(45,591)</b>	4,834
Income tax expense	<b>(697)</b>	(15)
<hr/>		
(Loss)/Profit for the period	<b>(46,288)</b>	4,819

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

Non-current assets of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000 (Unaudited)	Clubhouse business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>At 30 June 2016</b>				
Hong Kong	50	-	-	50
The PRC	-	270	242,778	243,048
	<b>50</b>	<b>270</b>	<b>242,778</b>	<b>243,098</b>
Derivative financial instruments				
– Put option				2,530
– Early redemption option				13,143
Unallocated corporate assets				7,330
				<b>266,101</b>
	Toys business HK\$'000 (Audited)	Clubhouse business HK\$'000 (Audited)	Beauty and wellness business HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
<b>At 31 December 2015</b>				
Hong Kong	66	-	-	66
The PRC	488	-	243,316	243,804
	<b>554</b>	<b>-</b>	<b>243,316</b>	<b>243,870</b>
Derivative financial instruments				
– Put option				5,910
– Early redemption option				22,546
Unallocated corporate assets				5,267
				<b>277,593</b>

Non-current assets are allocated based on their geographical locations.

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

Capital expenditures of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000 (Unaudited)	Clubhouse business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Six months ended 30 June 2016</b>				
Hong Kong	-	-	-	-
The PRC	-	270	972	1,242
	-	270	972	1,242
Unallocated corporate capital expenditures				3,251
				<b>4,493</b>
<b>Six months ended 30 June 2015</b>				
Hong Kong	44	-	-	44
The PRC	-	1,297	236	1,533
	44	1,297	236	1,577
Unallocated corporate capital expenditures				9
				<b>1,586</b>

Capital expenditures are allocated based on their geographical locations.

# Notes to the Condensed Consolidated Interim Financial Statements

## 6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Exchange gain	874	276
Sundry income	118	486
Gain on disposal of trade receivables	175	–
Gain on issuance of bonds payable (Note 18)	3,880	–
Loss on disposal of other receivables	(965)	–
	<b>4,082</b>	762

## 7. OPERATING LOSS/PROFIT

The Group's operating loss/profit is arrived at after charging the following:

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment (Note 12)	2,380	3,640
Merchandise purchased and changes in inventories	3,641	6,230
Employee benefit expenses	19,523	14,337
Operating lease rental expenses	9,558	6,137

# Notes to the Condensed Consolidated Interim Financial Statements

## 8. FINANCE COSTS, NET

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Interest income		
– Bank deposits	(19)	(86)
– Loan receivables	(4,821)	(2,022)
Fair value change of contingent consideration payables ( <i>Note 19</i> )	3,667	827
Interest expenses		
– Convertible bonds ( <i>Note 17</i> )	7,509	1,999
– Bonds payable ( <i>Note 18</i> )	894	–
	<b>7,230</b>	<b>718</b>

## 9. INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) and 25% (six months ended 30 June 2015: 25%), respectively, on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

# Notes to the Condensed Consolidated Interim Financial Statements

## 9. INCOME TAX EXPENSE (Continued)

The amounts of income tax expense charged to the condensed consolidated statement of profit or loss represent:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current taxation		
– Hong Kong profits tax	–	–
– PRC Enterprise Income Tax	<b>697</b>	15
	<b>697</b>	15

## 10. LOSS/EARNINGS PER SHARE

### Basic

The calculation of basic loss/earnings per share is based on the consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$46,119,000 (six months ended 30 June 2015: profit of HK\$4,700,000) and on the weighted average number of 1,972,453,000 (six months ended 30 June 2015: 1,972,453,000) ordinary shares in issue during the period after taking into consideration of the mandatorily convertible bonds issued on 30 January 2014 as partial satisfaction of the consideration for the acquisition of a clubhouse business.

# Notes to the Condensed Consolidated Interim Financial Statements

## 10. LOSS/EARNINGS PER SHARE (Continued)

### Basic (Continued)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
(Loss)/Profit for the period attributable to the equity holders of the Company (HK\$'000)	(46,119)	4,700
Weighted average number of ordinary shares in issue (thousands)	1,972,453	1,972,453
Basic (loss)/earnings per share (HK cents)	(2.34)	0.24

### Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding (after taking into consideration of the mandatorily convertible bonds as mentioned above) to assume exercise/conversion of all dilutive potential ordinary shares (excluding shares issuable upon the conversion of the mandatorily convertible bonds as mentioned above). The Company has 4 categories of dilutive potential ordinary shares: share options (Note 16(b)), convertible bonds (Note 17) (excluding the mandatorily convertible bonds), convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the "Tai Cheng CB") (Note 19(b)) and convertible bonds issued (with reference to the profit guarantee) (Note 21) for the acquisition of Rainbow Star Global Limited in 2015 (the "Marsa CB").

For the share options, a calculation is done to determine the number of shares that could have been acquired fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the share options.

# Notes to the Condensed Consolidated Interim Financial Statements

## 10. LOSS/EARNINGS PER SHARE *(Continued)*

### **Diluted** *(Continued)*

For the convertible bonds (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa CB, they are assumed to have been converted into ordinary shares, and the profit/loss for the period attributable to the equity holders of the Company is adjusted to eliminate the interest expense and/or fair value changes of the liability components/early redemption option of the convertible bonds, Tai Cheng CB and the Marsa CB.

The computation of diluted loss per share for the six months ended 30 June 2016 did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price per share.

The computation of diluted earnings/loss per share for the six months ended 30 June 2016 and 30 June 2015 did not assume the conversion of the Company's outstanding convertible bonds (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa CB since their conversion would result in a decrease in loss per share/an increase in earnings per share.

	Six months ended 30 June 2015 (Unaudited)
Profit used to determine diluted earnings per share <i>(HK\$'000)</i>	4,700
Weighted average number of ordinary shares in issue <i>(thousands)</i>	1,972,453
Adjustment for assumed exercise of share options <i>(thousands)</i>	3,742
Weighted average number of ordinary shares for diluted earnings per share <i>(thousands)</i>	1,976,195
Diluted earnings per share <i>(HK cents)</i>	0.24

# Notes to the Condensed Consolidated Interim Financial Statements

## 11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Goodwill <i>HK\$'000</i> (Unaudited)	Trademark user right and technical know-how <i>HK\$'000</i> (Unaudited)
<b>Net book value</b>			
<b>At 1 January 2015</b>	15,772	160,877	–
Additions	1,586	–	–
Acquisition of subsidiaries <i>(Note 21)</i>	12,179	–	222,222
Depreciation <i>(Note 7)</i>	(3,640)	–	–
Exchange realignment	12	–	–
<b>At 30 June 2015</b>	25,909	160,877	222,222
Additions	15,764	–	–
Depreciation	(5,095)	–	–
Provision for impairment	(10,240)	(160,877)	–
Exchange realignment	(1,190)	–	–
<b>At 31 December 2015</b>	<b>25,148</b>	–	<b>222,222</b>
Additions	<b>4,493</b>	–	–
Depreciation <i>(Note 7)</i>	<b>(2,380)</b>	–	–
Disposal of a subsidiary <i>(Note 22)</i>	<b>(460)</b>	–	–
Exchange realignment	<b>(280)</b>	–	–
<b>At 30 June 2016</b>	<b>26,521</b>	–	<b>222,222</b>

As at 30 June 2016 and 31 December 2015, none of the property, plant and equipment were pledged for any facilities granted to the Group.

# Notes to the Condensed Consolidated Interim Financial Statements

## 13. TRADE RECEIVABLES

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Unaudited)
Trade receivables	<b>53,059</b>	150,972
Less: Provision for discount on past due balances	<b>(51,979)</b>	(51,979)
	<b>1,080</b>	98,993

The Group's trade receivables are generally with credit periods of 90 days (31 December 2015: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

The maximum exposure to credit risk at the end of the reporting period was the carrying amounts of the trade receivables. The Group does not hold any collateral as security.

# Notes to the Condensed Consolidated Interim Financial Statements

## 13. TRADE RECEIVABLES *(Continued)*

The carrying amounts of trade receivables approximate their fair values. The ageing analysis of trade receivables, based on invoice dates, as at 30 June 2016 and 31 December 2015 were as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
0 – 30 days	<b>46</b>	1,396
31 – 60 days	<b>25</b>	874
61 – 90 days	<b>29</b>	473
91 – 180 days	<b>148</b>	86
Over 180 days	<b>52,811</b>	148,143
	<b>53,059</b>	150,972

Management assessed the credit quality of those trade receivables of approximately HK\$100,000 (31 December 2015: HK\$2,743,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

# Notes to the Condensed Consolidated Interim Financial Statements

## 13. TRADE RECEIVABLES *(Continued)*

As at 30 June 2016, trade receivables of approximately HK\$52,959,000 (31 December 2015: HK\$148,229,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
91 – 180 days	<b>148</b>	86
Over 180 days	<b>52,811</b>	148,143
	<b>52,959</b>	148,229

The Group has made a total provision of approximately HK\$51,979,000 to account for the discounting effect of the time value of money because of the delay in settlements of the outstanding trade receivables.

# Notes to the Condensed Consolidated Interim Financial Statements

## 14. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Winning Rose Promissory Note <i>(Note (a))</i>	<b>73,098</b>	—
Puregood Promissory Note <i>(Note (b))</i>	<b>66,344</b>	—
	<b>139,442</b>	—
Winning Rose Call Option <i>(Note (a))</i>	<b>22,653</b>	—
Puregood Call Option <i>(Note (b))</i>	<b>12,386</b>	—
	<b>35,039</b>	—

The Group's promissory note receivables and call options arose from two transactions detailed as follows:

- (a) On 29 April 2016, Sino Front, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and a call option agreement with Winning Rose Capital Inc. ("Winning Rose"), pursuant to which Sino Font disposed of certain trade receivables incurred in its ordinary and usual course of business with an aggregate carrying amount of HK\$95,576,103 to Winning Rose at a consideration of HK\$86,018,492, which was settled by the issuance of a promissory note (the "Winning Rose Promissory Note") and a call option (the "Winning Rose Call Option") by Winning Rose on the same date.

# Notes to the Condensed Consolidated Interim Financial Statements

## 14. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS *(Continued)*

(a) *(Continued)*

The Winning Rose Promissory Note is denominated in Hong Kong dollars, interest-free and will be matured on the first anniversary of the date of issue. The Winning Rose Promissory Note is secured by 40% of the issued share capital of Jasper Jade Corporation (“Jasper Jade”) in favour of Sino Front. Jasper Jade is wholly owned by Winning Rose and is going to be engaged in the trading of female healthcare products in Hong Kong, the PRC, Taiwan and Southeast Asian countries. According to a preliminary valuation by an independent valuer, the face value of the Winning Rose Promissory Note is equivalent to the fair value of approximately 35% of the issued share capital of Jasper Jade. The fair value of the Winning Rose Promissory Note at issuance at approximately HK\$73,098,000 was calculated using market interest rate at 17.67% of equivalent bonds.

Under the Winning Rose Call Option, Sino Front was granted a right to acquire the shares of Jasper Jade from Winning Rose with a fair value equivalent to the face value of the Winning Rose Promissory Note (i.e. HK\$86,018,492) based on the final valuation report to be issued by an independent valuer. The Winning Rose Call Option is exercisable during the period commencing on the date of the issuance of the final valuation report and expiring on the date falling 1 year from the date of the call option agreement. In addition, pursuant to the call option agreement, upon the exercise of the Winning Rose Call Option, Sino Front shall commit to invest in Jasper Jade (by way of shares subscription, shareholder loan or otherwise) with an amount of HK\$10,000,000, within 3 years from the exercise of the Winning Rose Call Option. The fair value of the Winning Rose Call Option was initially recognised at the date of issuance at approximately HK\$22,653,000 by using the binomial tree pricing model. The fair value estimates were based on the exercisable value (i.e. the face value) of the Winning Rose Promissory Note of HK\$86,018,492, expected volatility of 67.89% and risk-free rate of 0.25%.

# Notes to the Condensed Consolidated Interim Financial Statements

## 14. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS *(Continued)*

- (b) On 30 June 2016, Green Capital, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and a call option agreement with Puregood Express Inc. (“Puregood”), pursuant to which Green Capital disposed of certain loans and other receivables incurred in its ordinary and usual course of business with an aggregate carrying amount of HK\$79,598,533 to Puregood at a consideration of HK\$79,598,533, which was settled by the issuance of a promissory note (the “Puregood Promissory Note”) and a call option (the “Puregood Call Option”) by Puregood on the same date.

The Puregood Promissory Note is denominated in Hong Kong dollars, interest-free and will be matured on the first anniversary of the date of issue. The Puregood Rose Promissory Note is secured by 48% of the issued share capital of Gold Fountain Inc. (“Gold Fountain”) in favour of Green Capital. Gold Fountain is wholly owned by Puregood and is going to be engaged in the provision of a trading platform of healthy household appliances. According to a preliminary valuation by an independent valuer, the face value of the Puregood Promissory Note is equivalent to the fair value of approximately 48% of the issued share capital of Gold Fountain. The fair value of the Puregood Promissory Note at issuance at approximately HK\$66,344,000 was calculated using market interest rate at 19.98% of equivalent bonds.

# Notes to the Condensed Consolidated Interim Financial Statements

## 14. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS *(Continued)*

(b) *(Continued)*

Under the Puregood Call Option, Green Capital was granted a right to acquire the shares of Gold Fountain from Puregood with a fair value equivalent to the face value of the Puregood Promissory Note (i.e. HK\$79,598,533) based on the final valuation report to be issued by an independent valuer. The Puregood Call Option is exercisable during the period commencing on the date of the issuance of the final valuation report and expiring on the date falling 1 year from the date of the call option agreement. In addition, pursuant to the call option agreement, upon the exercise of the Puregood Call Option, Green Capital shall commit to invest in Gold Fountain (by way of shareholder loan) with an amount not more than HK\$8,000,000, within 3 years from the exercise of the Puregood Call Option by Green Capital (and, in respect of each shareholder loan made by Green Capital, Green Capital shall not demand for repayment of such shareholder loan within one year of such advancement). The fair value of the Puregood Call Option was initially recognised at the date of issuance at approximately HK\$12,386,000, by using the binomial tree pricing model. The fair value estimates were based on the exercisable value (i.e. the face value) of the Puregood Promissory Note of HK\$79,598,533, expected volatility of 39.43% and risk-free rate of 0.29%.

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. CASH AND CASH EQUIVALENTS

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Cash at bank and on hand	<b>45,131</b>	53,129

Cash and cash equivalents are denominated in the following currencies:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Hong Kong dollars	<b>32,940</b>	34,958
Renminbi	<b>11,919</b>	17,899
US dollars	<b>272</b>	272
	<b>45,131</b>	53,129

## 16. SHARE CAPITAL

### Authorised

	<b>Number of shares</b>	<b>Nominal value HK\$'000</b>
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016, ordinary shares of HK\$0.01 each	4,000,000,000	40,000

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. SHARE CAPITAL (Continued)

### Issued and fully paid

	Number of shares	Nominal value <i>HK\$'000</i>
At 1 January 2015	1,853,661,910	18,537
Issue of shares upon exercise of share options ( <i>Note (a)(i)</i> )	58,139,534	581
Issue of shares upon conversion of convertible bonds ( <i>Note (a)(ii)</i> )	60,651,162	607
At 30 June 2015, 31 December 2015 and 30 June 2016	<u>1,972,452,606</u>	<u>19,725</u>

*Notes:*

#### (a) Issue of new shares

- (i) On 30 January 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$25,000,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect an open offer completed on 19 August 2014) per share and, accordingly, the Company allotted and issued a total of 58,139,534 shares to the convertible bond holders (Note 17(b)).
- (ii) On 17 April 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$26,080,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect an open offer completed on 19 August 2014) per share and, accordingly, the Company allotted and issued a total of 60,651,162 shares to the convertible bond holders (Note 17(b)).

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. SHARE CAPITAL *(Continued)*

### Issued and fully paid *(Continued)*

*Notes: (Continued)*

#### **(b) Share option scheme**

On 2 September 2006, a share option scheme (the “Share Option Scheme”) was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

- (i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK\$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted was determined using the Trinomial Option Pricing Model at HK\$0.21 per option. The significant inputs into the model were weighted average share price of HK\$0.37 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

- (ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 share options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the six months ended 30 June 2016.

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. SHARE CAPITAL (Continued)

### Issued and fully paid (Continued)

Notes: (Continued)

#### (b) Share option scheme (Continued)

(iii) Movements in the share options are as follows:

	2016		2015	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
At 1 January	0.32	55,800,000	0.32	55,800,000
Exercised	-	-	-	-
At 30 June	0.32	55,800,000	0.32	55,800,000
At 1 July			0.32	55,800,000
Exercised			-	-
At 31 December			0.32	55,800,000

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS

The liability components of the convertible bonds recognised in the condensed consolidated statement of financial position were calculated as follows:

	1st Tai Cheng CB	Big Point CB	2nd Tai Cheng CB	2015 CB	1st Marsa CB	3rd Tai Cheng CB	1st 2016 CB	2nd 2016 CB	2nd Marsa CB	Total
	<i>HK\$'000</i> (Unaudited) (Note (a))	<i>HK\$'000</i> (Unaudited) (Note (b))	<i>HK\$'000</i> (Unaudited) (Note (a))	<i>HK\$'000</i> (Unaudited) (Note (c))	<i>HK\$'000</i> (Unaudited) (Note (d))	<i>HK\$'000</i> (Unaudited) (Note (a))	<i>HK\$'000</i> (Unaudited) (Note (e))	<i>HK\$'000</i> (Unaudited) (Note (f))	<i>HK\$'000</i> (Unaudited) (Note (d))	<i>HK\$'000</i> (Unaudited)
At 1 January 2015	4,781	-	3,803	-	-	-	-	-	-	8,584
Issue of convertible bonds	-	-	-	29,000	41,000	-	-	-	-	70,000
Direct issue costs	-	-	-	(952)	-	-	-	-	-	(952)
Equity component on initial recognition	-	-	-	(6,929)	-	-	-	-	-	(6,929)
Interest expenses (Note 2)	339	-	278	919	463	-	-	-	-	1,999
<b>At 30 June 2015</b>	<b>5,120</b>	<b>-</b>	<b>4,081</b>	<b>22,038</b>	<b>41,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,702</b>
Issue of convertible bonds	-	-	-	-	-	305	-	-	-	305
Written back pursuant to profit guarantee	-	-	-	-	(27,331)	-	-	-	-	(27,331)
Interest expenses	362	-	299	1,532	2,266	16	-	-	-	4,475
<b>At 31 December 2015</b>	<b>5,482</b>	<b>-</b>	<b>4,380</b>	<b>23,570</b>	<b>16,398</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,151</b>
Issue of convertible bonds	-	-	-	-	-	-	40,000	12,000	26,295	78,295
Equity component on initial recognition	-	-	-	-	-	-	(1,312)	(1,225)	-	(2,537)
Interest expenses	388	-	321	1,639	2,390	25	2,017	248	481	7,509
<b>At 30 June 2016</b>	<b>5,870</b>	<b>-</b>	<b>4,701</b>	<b>25,209</b>	<b>18,788</b>	<b>346</b>	<b>40,705</b>	<b>11,023</b>	<b>26,776</b>	<b>133,418</b>
As at 31 December 2015, analysed by maturity date as:										
Within one year and included under current liabilities	5,482	-	-	-	-	-	-	-	-	5,482
Over one year and included under non-current liabilities	-	-	4,380	23,570	16,398	321	-	-	-	44,669
	5,482	-	4,380	23,570	16,398	321	-	-	-	50,151
As at 30 June 2016, analysed by maturity date as:										
Within one year and included under current liabilities	5,870	-	-	-	-	-	40,705	-	-	46,575
Over one year and included under non-current liabilities	-	-	4,701	25,209	18,788	346	-	11,023	26,776	86,843
	5,870	-	4,701	25,209	18,788	346	40,705	11,023	26,776	133,418

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued by the Group and outstanding during the periods were as follows:

- (a) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited (“Tai Cheng”) (Note 19(b)), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in an aggregate principal amount of HK\$6,163,639 (the “1st Tai Cheng CB”) to Hong Kong Tai Shing Toys Trading Limited (“Tai Shing”). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The 1st Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at the conversion price of HK\$0.43 per share (as adjusted to reflect an open offer completed on 19 August 2014) (subject to adjustments). The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.

Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 19(b)), the Company issued the second tranche of the Tai Cheng CB on 13 October 2014 in an aggregate principal amount of HK\$5,628,138 (the “2nd Tai Cheng CB”) to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 13 October 2017. The 2nd Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.43 per share (subject to adjustments). The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.

Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 19(b)), the Company issued the third tranche of the Tai Cheng CB on 8 September 2015 in an aggregate principal amount of HK\$477,241 (the “3rd Tai Cheng CB”) to Tai Shing. The 3rd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 8 September 2018. The 3rd Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.43 per share (subject to adjustments). The effective interest rate of the 3rd Tai Cheng CB was 18.15% per annum.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

On 15 January 2016, certain convertible bonds (the "1st 2016 CB") were issued to a nominee of Mr. Yang Yuezhou (Note 17(e)). The conversion price of the 1st Tai Cheng CB, 2nd Tai Cheng CB and 3rd Tai Cheng CB was adjusted from HK\$0.43 per share to HK\$0.42 per share subsequent to the completion of the issue of the 1st 2016 CB.

- (b) Pursuant to the sale and purchase agreement to the acquisition of Big Point Investment Limited ("Big Point"), the Company issued convertible bonds on 30 January 2014 in an aggregate principal amount of HK\$76,620,000 (the "Big Point CB") to China Real Estates Investment Holdings Limited ("China Real Estates") as partial satisfaction of the consideration. The Big Point CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 30 January 2017. In respect of the conversion by the bondholder, (a) for the principal amount of HK\$25,540,000, the convertible bonds is convertible into shares before maturity, and (b) for the remaining principal amount of HK\$51,080,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK\$76,620,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at an initial conversion price of HK\$0.50 per share (subject to adjustments). Therefore, there were no amounts under liability component as the Big Point CB is mandatorily convertible into shares and there was no interest repayment.

Due to the completion of an open offer on 19 August 2014, the conversion price of the Big Point CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014.

All of the Big Point CB in the respective principal amounts of HK\$25,540,000, HK\$25,000,000 and HK\$26,080,000 were converted into 51,080,000, 58,139,534 and 60,651,162 shares of the Company on 18 February 2014, 30 January 2015 and 17 April 2015.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

- (c) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited (“ASA Securities”), pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK\$83,800,000 which are convertible into, at HK\$0.33 per share (subject to adjustments), 253,939,393 ordinary shares of HK\$0.01 each in the capital of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds. The market closing price of the Company’s shares on 9 February 2015 was HK\$0.355 per share.

The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 3% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.33 per share (subject to adjustments).

The placing was completed on 6 March 2015, where convertible bonds in an aggregate principal amount of HK\$29,000,000 (the “2015 CB”) was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The net proceeds was HK\$28,048,000. The effective interest rate of the 2015 CB was 14.39% per annum.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

- (d) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star Global Limited (“Rainbow Star”) (Note 21), the Company issued convertible bonds in May 2015 in an aggregate principal amount of HK\$54,250,000 (the “1st Marsa CB”) to Mr. Chung Sum Sang (“Mr. Chung”) and Ms. Eva Au (“Ms. Au”) as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue) and will be matured in May 2018. Interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). The 1st Marsa CB is convertible into the shares of the Company at the holder’s option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (Note 21), to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).

The Company has also issued convertible bonds in May 2016 in an aggregate principal amount of HK\$54,250,000 (the “2nd Marsa CB”) to Mr. Chung and Ms. Au as partial satisfaction of the consideration pursuant to the sale and purchase agreement of Rainbow Star (Note 21). All of the terms and conditions of the 2nd Marsa CB are same as the 1st Marsa CB, with the exception that the 2nd Marsa CB will be matured in May 2019.

A liability component, an equity component and an early redemption option were classified at initial recognition of the 1st Marsa CB and the 2nd Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

(d) *(Continued)*

The fair values of the liability components of the 1st Marsa CB and 2nd Marsa CB were initially recognised at approximately HK\$41,000,000 and HK\$26,295,000, respectively, by using the discounted cash flow model. The fair value estimate was based on respective assumed discount rates of 11.24% and 11.46% and the Directors' expectation on the amount of the 1st Marsa CB and 2nd Marsa CB to be redeemed or cancelled (if any).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 1st Marsa CB were initially recognised at the date of acquisition at approximately HK\$22,847,000 and HK\$20,200,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 89.55% and risk-free rate of 0.70%. As at 30 June 2016, the equity component amounting to approximately HK\$8,568,000 (31 December 2015: HK\$8,568,000) is included in equity within other reserves, and as at 30 June 2016, the early redemption option was subsequently at fair value of approximately HK\$2,076,000 (31 December 2015: HK\$3,713,000).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 2nd Marsa CB were initially recognised at the date of acquisition at approximately HK\$16,506,000 and HK\$7,944,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 83.26% and risk-free rate of 0.83%. As at 30 June 2016, the equity component amounting to approximately HK\$16,506,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 30 June 2016 at fair value of approximately HK\$4,629,000.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

- (e) On 27 November 2015, the Company entered into a subscription agreement with Mr. Yang Yuezhou (“Mr. Yang”), pursuant to which Mr. Yang has conditionally agreed with the Company to subscribe for the 1st 2016 CB in a principal amount of HK\$40,000,000 which are convertible into, at HK\$0.20 per share (subject to adjustments), 200,000,000 ordinary shares of HK\$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company’s shares on 27 November 2015 was HK\$0.227 per share.

The 1st 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will be matured on the date falling on the first anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the 1st 2016 CB is neither converted nor redeemed prior to the maturity date. The 1st 2016 CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.20 per share (subject to adjustments).

The subscription was completed on 15 January 2016. The net proceeds was HK\$40,000,000. The effective interest rate of the 1st 2016 CB was 11.65% per annum. The use of proceeds is disclosed in the “Management Discussions and Analysis” section.

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. CONVERTIBLE BONDS *(Continued)*

- (f) On 5 April 2016, the Company entered into a subscription agreement with Hong Kong Qian Hai Financial Group Limited (“Qian Hai Financial”), pursuant to which Qian Hai Financial has conditionally agreed with the Company to subscribe for convertible bonds (the “2nd 2016 CB”) in a principal amount of HK\$12,000,000 which are convertible into, at HK\$0.30 per share (subject to adjustments), 40,000,000 ordinary shares of HK\$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company’s shares on 5 April 2016 was HK\$0.234 per share.

The 2nd 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the 2nd 2016 CB is neither converted nor redeemed prior to the maturity date. The 2nd 2016 CB is convertible into the shares of the Company at the holder’s option during the period commencing from the first anniversary of the issue date to the maturity date at an initial conversion price of HK\$0.30 per share (subject to adjustments).

The subscription was completed on 15 April 2016. The net proceeds was HK\$12,000,000. The effective interest rate of the 2nd 2016 CB was 11.36% per annum. The use of proceeds is disclosed in the “Management Discussions and Analysis” section.

The values of the liability component and the equity component were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in equity within other reserves (with the exception of the 1st Marsa CB and 2nd Marsa CB, which is detailed in Note (d) above).

# Notes to the Condensed Consolidated Interim Financial Statements

## 18. BONDS PAYABLE

As at 30 June 2016, there were outstanding bonds with an aggregate principal amount of HK\$24,000,000. Details of the bonds outstanding are as follows:

- (a) On 26 October 2015, the Company entered into a placing agreement with AMTD Asset Management Limited (“AMTD”), pursuant to which AMTD conditionally agreed with the Company to place, on a best effort basis, bonds up to a total principal amount of HK\$50,000,000 to the placees, who are independent third parties, at 100% of the principal amount of the bonds.

The bonds are denominated in Hong Kong dollars, unsecured, bear interest at 7% per annum for the first two years and at 10% per annum for the third year and will be matured on the date falling on the third anniversary of the issue of the bonds. The aggregate interests for the first two years after completion of issue of the bonds shall be payable in advance on the completion of issue of each bond, with the interest for the third year be payable on the first business day after the second anniversary. The bondholders may, at its sole discretion, on the second anniversary of the issue date of any bond duly issued by the Company, by serving a notice to the Company and demand redemption of the bond as effective on the second anniversary (in whole or in part) by the Company at 100% of the total amount of such bond.

During the year ended 31 December 2015, bonds with an aggregate principal amount of HK\$14,000,000 was successfully placed by AMTD to two placees who are third parties independent of the Company and its connected persons. The effective interest rates of the bonds were 11.15% to 11.72% per annum. The use of proceeds is disclosed in the “Management Discussions and Analysis” section. There were no other successful bond placings up to the end of the placing period.

# Notes to the Condensed Consolidated Interim Financial Statements

## 18. BONDS PAYABLE *(Continued)*

- (b) On 28 June 2016, the Company entered into a placing agreement with Enhanced Securities Limited (“Enhanced Securities”), pursuant to which Enhanced Securities agreed with the Company to place bonds up to a principal amount of HK\$10,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds.

The bond is denominated in Hong Kong dollars, unsecured, bears interest at 5% per annum and will be matured on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum. The use of proceeds is disclosed in the “Management Discussions and Analysis” section.

The fair value of each of the bonds at issuance was calculated using market interest rates for equivalent bonds. The difference between the fair value at issuance and the net proceeds received was recognised within other income and gains (Note 6) in the condensed consolidated statement of profit or loss.

# Notes to the Condensed Consolidated Interim Financial Statements

## 18. BONDS PAYABLE *(Continued)*

Bonds payable recognised in the condensed consolidated statement of financial position is calculated as follows:

	<i>HK\$'000</i>
At 1 January 2015 and 30 June 2015	—
Issue of bonds	14,000
Direct issue costs	(1,470)
Gain on issuance of bonds payable	(922)
Interests paid	(1,960)
Interest expense	57
	<hr/>
<b>At 31 December 2015</b>	<b>9,705</b>
Issue of bond	<b>10,000</b>
Direct issue costs	<b>(3,500)</b>
Gain on issuance of bonds payable <i>(Note 6)</i>	<b>(3,880)</b>
Interest expense <i>(Note 8)</i>	<b>894</b>
	<hr/>
<b>At 30 June 2016</b>	<b>13,219</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. CONTINGENT CONSIDERATION PAYABLES

The Group's contingent consideration payables arises from two acquisitions completed by the Group detailed as follows.

- (a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 21), part of the consideration shall be settled by the issue of convertible bonds (the Marsa CB) in 3 tranches of principal amount of HK\$54,250,000 each on the date of acquisition, the 1st anniversary of and the 2nd anniversary of the date of acquisition. The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au (as detailed in Note 21) and may be redeemed or cancelled by the Company with reference to the profit guarantee. The Marsa CB not yet issued as at the reporting date is recognised as contingent consideration payable (the "Marsa CCP"). A liability component, an equity component and an early redemption option were classified at initial recognition of the Marsa CCP. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets. When the Marsa CB is issued, the liability component of the Marsa CCP is de-recognised from contingent consideration payables and recognised as convertible bonds on the date of issue.

The Company issued the 1st and 2nd Marsa CB in May 2015 and May 2016, respectively, each in the aggregate principal amount of HK\$54,250,000 (Note 17(d)).

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

(a) *(Continued)*

The fair value of the liability component of the Marsa CCP was initially recognised at the date of acquisition at approximately HK\$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any). This liability component of the Marsa CCP was subsequently measured as at 30 June 2016 at fair value of approximately HK\$26,619,000 (31 December 2015: HK\$49,247,000).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the Marsa CCP were initially recognised at the date of acquisition at approximately HK\$53,061,000 and HK\$50,036,000, respectively, by using the partial differential equation method. The initial fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 79.13% – 88.53% and risk-free rate of 0.92% – 1.14%. As at 30 June 2016, the equity component of the Marsa CCP amounting to approximately HK\$19,071,000 (31 December 2015: HK\$35,577,000) was included in equity within other reserves, and the early redemption option of the Marsa CCP was subsequently measured as at 30 June 2016 at fair value of approximately HK\$6,438,000 (31 December 2015: HK\$18,833,000).

- (b) On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng, at a total consideration of not exceeding HK\$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Pursuant to the sale and purchase agreement, contingent consideration payable (the "Tai Cheng CCP") in aggregate not exceeding HK\$30,000,000 (the remaining consideration of HK\$100 was settled in cash) shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK\$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

### (b) *(Continued)*

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK\$10,000,000. The benchmark profit is HK\$12,000,000, HK\$13,000,000 and HK\$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

A liability component and an equity component of the Tai Cheng CCP were classified at initial recognition of the Tai Cheng CB.

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in an aggregate principal amount of HK\$6,163,639, HK\$5,628,138 and HK\$477,241, respectively (Note 17(a)).

The fair value of the liability component of the Tai Cheng CCP was initially recognised at the date of acquisition at approximately HK\$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors' expectation on the amount of the Tai Cheng CB to be issued. The equity component of the Tai Cheng CCP, which represents the value of the equity conversion option, was initially recognised at an amount of approximately HK\$16,733,000. As at 30 June 2016 and 31 December 2015, there were no amounts under the Tai Cheng CCP as all amounts were settled by the issuance of the Tai Cheng CB.

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

The liability component of the contingent consideration payables recognised in the condensed consolidated statement of financial position was calculated as follows:

	<b>2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2015 HK\$'000 (Unaudited)
At 1 January	<b>49,247</b>	273
Acquisition of subsidiaries <i>(Note 21)</i>	–	69,033
Fair value change <i>(Note 8)</i>	<b>3,667</b>	827
Issue of the 2nd Marsa CB <i>(Note 17(d))</i>	<b>(26,295)</b>	–
	<hr/>	<hr/>
At 30 June	<b>26,619</b>	70,133
	<hr/>	<hr/>
At 1 July		70,133
Fair value change		(20,581)
Issue of the 3rd Tai Cheng CB <i>(Note 17(a))</i>		(305)
		<hr/>
At 31 December		<b>49,247</b>
		<hr/>

# Notes to the Condensed Consolidated Interim Financial Statements

## 20. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice dates, as at 30 June 2016 and 31 December 2015 were as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
0 – 30 days	<b>55</b>	1,237
31 – 60 days	<b>128</b>	768
61 – 90 days	<b>221</b>	658
91 days – 1 year	<b>265</b>	944
Over 1 year	<b>2,430</b>	2,413
	<b>3,099</b>	6,020

The carrying amounts of trade payables approximate their fair values.

## 21. ACQUISITION OF SUBSIDIARIES

On 21 November 2014, the Company, Mr. Chung and Ms. Au entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase the 100% equity interests of Rainbow Star, a company incorporated in the British Virgin Islands, from Mr. Chung and Ms. Au at a maximum aggregate consideration of HK\$217,000,000, out of which HK\$54,250,000 shall be settled in cash and the remaining consideration of not more than HK\$162,750,000 shall be settled by the 1st Marsa CB (Note 17 (d)) and the Marsa CCP (Note 19(a)).

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in 深圳市瑪莎嘉兒連鎖實業有限公司 (literally translated as Shenzhen Marsa Guer Chain Enterprise Limited, "Marsa"). Marsa and its subsidiaries are principally engaged in the provision of beauty and wellness related services.

# Notes to the Condensed Consolidated Interim Financial Statements

## 21. ACQUISITION OF SUBSIDIARIES *(Continued)*

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK\$20,000,000 were paid to Mr. Chung and Ms. Au before 31 December 2014. The acquisition was subsequently completed in May 2015, the remaining cash consideration of HK\$34,250,000 was paid and the 1st Marsa CB (Note 17(d)) was issued to Mr. Chung and Ms. Au as partial satisfaction of the consideration. The remaining convertible bonds (the Marsa CCP) shall be issued on the 1st and the 2nd anniversary of the date of acquisition.

The 1st Marsa CB and the Marsa CCP comprises the profit guarantee as provided by Mr. Chung and Ms. Au, who have undertaken that the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000 for each year. In the event that it is less than RMB20,000,000, the Company shall redeem and cancel in whole or part of the corresponding convertible bonds at HK\$1 based on the shortfall with reference to the profit guarantee of RMB20,000,000.

Besides, in the case that all of the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to request Mr. Chung and Ms. Au to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration paid to them. The fair value of this put option was initially recognised at the date of acquisition at approximately HK\$24,990,000 by using the binomial tree pricing model. The fair value estimates were based on assumed expected volatility of 31.606% and risk-free rate of 0.662%. The put option was recorded as a derivative financial instrument under non-current assets. This put option was subsequently measured at fair value at 30 June 2016 of approximately HK\$2,530,000 (31 December 2015: HK\$5,910,000), with the fair value change recognised directly in equity within other reserves.

# Notes to the Condensed Consolidated Interim Financial Statements

## 21. ACQUISITION OF SUBSIDIARIES *(Continued)*

The following table summarises the recognised fair values of the consideration for the acquisition of Marsa and its subsidiaries, the assets acquired and liabilities assumed.

	Fair values recognised <i>HK\$'000</i> (Unaudited)
<b>Purchase consideration</b>	
Cash deposits paid in 2014	20,000
Cash paid in 2015	34,250
Fair value of the 1st Marsa CB issued on completion of acquisition <i>(Note 17(d))</i>	
– Liability component	41,000
– Equity component	22,847
– Early redemption option	(20,200)
Fair value of the Marsa CCP <i>(Note 19(a))</i>	
– Liability component	69,033
– Equity component	53,061
– Early redemption option	(50,036)
	<hr/>
Total purchase consideration	<u>169,955</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 21. ACQUISITION OF SUBSIDIARIES *(Continued)*

	Fair values recognised <i>HK\$'000</i> (Unaudited)
<b>Identifiable assets acquired and liabilities assumed on acquisition date</b>	
Property, plant and equipment <i>(Note 12)</i>	12,179
Trademark user right <i>(Note 12)</i>	222,222
Other intangible assets	279
Inventories	13,571
Trade receivables	8
Prepayments, deposits and other receivables	2,001
Cash and cash equivalents	4,712
Trade payables	(1,847)
Other payables, accruals and deposits received	(13,879)
Amount due to a director	(8,809)
Deferred tax liability	(22,222)
	<hr/>
Total identifiable net assets acquired	208,215
Non-controlling interests	(1,342)
Gain on bargain purchase on acquisition of subsidiaries	(36,918)
	<hr/>
	169,955
	<hr/>

# Notes to the Condensed Consolidated Interim Financial Statements

## 21. ACQUISITION OF SUBSIDIARIES *(Continued)*

An analysis of the net outflow of cash and cash equivalents during the six months ended 30 June 2015 in respect of the acquisition is as follows:

	Fair value recognised on acquisition <i>HK\$'000</i> (Unaudited)
Cash and cash equivalents acquired	4,712
Less: Consideration satisfied by cash	<u>(34,250)</u>
Net cash outflow on acquisition of subsidiaries	<u>(29,538)</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 22. DISPOSAL OF A SUBSIDIARY

On 8 April 2016, 格林致福投資諮詢(深圳)有限公司, a wholly-owned subsidiary of the Company, disposed of its 100% equity interests in 東莞市金翎玩具有限公司 to independent third parties at a consideration of RMB500,000. 東莞市金翎玩具有限公司 was principally engaged in the manufacturing of toys in the PRC. The net liabilities of 東莞市金翎玩具有限公司 on 8 April 2016 are as follows:

	<b>HK\$'000</b> <b>(Unaudited)</b>
<b>Consideration received</b>	<b>599</b>
<b>Assets and liabilities disposed of</b>	
Property, plant and equipment ( <i>Note 12</i> )	460
Inventories	1,960
Trade receivables	2,230
Prepayments, deposits and other receivables	1,291
Cash and cash equivalents	317
Trade payables	(3,267)
Other payables and accruals	(5,120)
Income tax liabilities	(37)
	<b>(2,166)</b>
Net liabilities disposed of	
Cumulative exchange differences reclassified from equity to profit or loss on disposal of the subsidiary	(240)
Gain on disposal of a subsidiary	3,005
	<b>599</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 22. DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the net inflow of cash and cash equivalents in the current period in respect of the disposal is as follows:

	<b><i>HK\$'000</i></b> <b>(Unaudited)</b>
Consideration satisfied by cash	<b>599</b>
Less: Cash and cash equivalents disposed of	<b>(317)</b>
	<hr/>
Net cash inflow on disposal of a subsidiary	<b>282</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 23. COMMITMENTS

### (a) Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Authorised but not contracted for:		
– Property, plant and equipment	<b>24,599</b>	25,850
Contracted but not provided for:		
– Property, plant and equipment	<b>2,344</b>	–
– Acquisition of subsidiaries (Note 21)	–	1,519
	<b>26,943</b>	27,369

Save as disclosed above, as detailed in Note 14(a) and (b), the Group will also be committed in certain investments upon exercise of the Winning Rose Call Option and the Puregood Call Option.

# Notes to the Condensed Consolidated Interim Financial Statements

## 23. COMMITMENTS *(Continued)*

### (b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Not later than 1 year	<b>16,487</b>	18,407
Later than 1 year but not later than 5 years	<b>40,152</b>	48,681
Over 5 years	<b>308</b>	–
	<b>56,947</b>	67,088

# Notes to the Condensed Consolidated Interim Financial Statements

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Key management compensation

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Wages, salaries and other short-term employee benefits	4,068	3,293
Pension costs – defined contribution plans	36	36
	<b>4,104</b>	<b>3,329</b>

### (b) Transactions

Material transactions carried out between the Group and controlling shareholder of the Company and related companies beneficially owned by controlling shareholder of the Company during the period are summarised as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rentals paid	50	150

## 25. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2016 and 31 December 2015.

# Notes to the Condensed Consolidated Interim Financial Statements

## 26. SUBSEQUENT EVENTS

On 24 June 2016, the Company entered into a subscription agreement with JQ Int'l Investment Development Group (China) Limited ("JQ"), pursuant to which JQ has conditionally agreed with the Company to subscribe for convertible bonds in a principal amount of HK\$30,000,000 which are convertible into, at HK\$0.30 per share (subject to adjustments), 100,000,000 ordinary shares of HK\$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company's shares on 24 June 2016 was HK\$0.219 per share.

These convertible bonds, if issued, will be denominated in Hong Kong dollars, unsecured, bear interest at 8% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into the shares of the Company at the holder's option during the period commencing from the first anniversary of the issue date to the maturity date at an initial conversion price of HK\$0.30 per share (subject to adjustments). The proceeds are intended to be used as working capital and for potential acquisitions of the Group.

As at the date of this report, the subscription of these convertible bonds has not been completed.

## 27. COMPARATIVE FIGURES

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

# Management Discussions and Analysis

## BUSINESS REVIEW AND PROSPECTS

The Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the period.

Total revenue of approximately HK\$21,093,000 was recorded by the Group during the six months ended 30 June 2016, as compared to approximately HK\$16,231,000 for the same period in 2015.

Revenue arising from different business segments are as follows:

- (a) approximately HK\$2,450,000 from the toys business segment (2015: HK\$3,324,000);
- (b) approximately HK\$5,657,000 from the clubhouse business segment (2015: HK\$8,616,000); and
- (c) approximately HK\$12,986,000 from the beauty and wellness business segment (acquired in May 2015) (2015: HK\$4,291,000).

The increase in revenue in 2016 was mainly attributable to the contribution from beauty and wellness business segment (which was acquired in May 2015). The Group's gross profit was approximately HK\$15,777,000 in 2016, as compared to approximately HK\$8,675,000 in 2015, representing an increase of approximately HK\$7,102,000; the gross profit margin has increased from 53.4% in 2015 to 74.8% in 2016. This is mainly attributable to the higher gross profit margin from the clubhouse business and the beauty and wellness business segments, and decrease in contribution from the toys business segment, which has a lower gross profit margin.

The loss for the period attributable to the equity holders of the Company amounted to approximately HK\$46,119,000 in 2016 whilst a profit of approximately HK\$4,700,000 was recorded in 2015. Excluding the effects of gains on disposal of a subsidiary and on bargain purchase on acquisition of subsidiaries, fair value losses of derivative financial instruments and finance costs, the operating loss in 2016 amounted to approximately HK\$32,660,000, which is close to the same period in 2015 of approximately HK\$31,381,000.

# Management Discussions and Analysis

Due to re-allocation of resources in order to align the Group's businesses and resources with the Group's current development objective of exploring opportunities to venture into grand healthcare and other prospective businesses, the operating results from the toys business segment was approximately break-even in 2016 while an operating loss of approximately HK\$1,711,000 was recorded in 2015.

Revenue from the clubhouse business decreased from approximately HK\$8,616,000 in 2015 to approximately HK\$5,657,000 in 2016 due to the clamp down by the PRC government on money laundering and the push for frugality. However, operating loss decreased from approximately HK\$14,857,000 in 2015 to approximately HK\$10,479,000 in 2016 due to better control on costs. The Group is undergoing assessment for rebranding and repositioning of the clubhouse, including but not limited to expansion of the scope of services of the current clubhouse to become a grand healthcare business. The Directors are, subject to results of feasibility studies, prudently optimistic of the prospects of a grand healthcare business with a focus on specialized and high-end healthcare services.

The Group has completed the acquisition of the beauty and wellness business in Shenzhen in May 2015. This business segment contributed an operating profit of approximately HK\$79,000 in 2016 while an operating profit of approximately HK\$1,151,000 was recorded in 2015 as the costs of inventory and labor is rising. As there will be more co-operations with different clubhouses in Shenzhen, together with the brand name of Marsa at Shenzhen, the Directors are prudently optimistic of the contribution of this business segment in the years to come.

The Board will review and reassess the performance of the Group's different business segments and reallocate resources to existing or new businesses when necessary, so as to produce a steady growth for the Group's long term performance. The Group is actively identifying and exploring different investment and business opportunities to broaden its assets and revenue base. Potential businesses, acquisitions or mergers will be assessed by the Board. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole.

# Management Discussions and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group held cash and bank balances of approximately HK\$45,131,000 (31 December 2015: HK\$53,129,000). Net current assets amounted to approximately HK\$184,784,000 (31 December 2015: HK\$196,249,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 3.12 times (31 December 2015: 4.01 times), the decrease is due to more convertible bonds becoming due within one year and included under current liabilities. The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 43.9% (31 December 2015: 35.5%), the increase is principally due to increase in convertible bonds issued. As at 30 June 2016, the carrying amounts and the principal amounts of the outstanding borrowings (all of which are denominated in Hong Kong dollars and at fixed interest rates) of the Group amounted to approximately HK\$146,637,000 (31 December 2015: HK\$59,856,000) and approximately HK\$225,769,000 (31 December 2015: HK\$109,519,000), respectively.

## FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group currently does not have regular and established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts as at 30 June 2016.

## CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the six months ended 30 June 2016 and up to the date of this report.

### (A) Share Capital

There were no changes in the share capital of the Company during the six months ended 30 June 2016 and up to the date of this report. The Company has 1,972,452,606 issued shares of HK\$0.01 each as at 30 June 2016 and the date of this report.

# Management Discussions and Analysis

## **(B) Share Options**

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK\$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and will be expired on 10 May 2022, of which 55,800,000 share options were still outstanding as at 30 June 2016 and the date of this report. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these share options were adjusted from HK\$0.37 per share to HK\$0.32 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014).

In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the period.

# Management Discussions and Analysis

## **(C) Convertible Bonds**

There were outstanding convertible bonds with aggregate principal amounts of approximately HK\$201,769,000 which are convertible into 574,090,733 shares of the Company as at 30 June 2016 and the date of this report. Convertible bonds issued or converted during the period and up to the date of this report are as follows:

- i) issue of the 1st 2016 CB on 15 January 2016 (Note 17(e));
- ii) issue of the 2nd 2016 CB on 15 April 2016 (Note 17(f)); and
- iii) issue of the 2nd Marsa CB in May 2016 (Note 17(d)).

In the past twelve months and up to the date of this report, the Company has raised approximately HK\$70,000,000 from placings and/or issuance of bonds and convertible bonds. As at the date of this report, approximately HK\$35,000,000 was utilized to development of the money lending business, with a further HK\$5,000,000 intended to be utilized as such, HK\$20,000,000 as general working capital and approximately HK\$10,000,000 for potential acquisitions.

## **CHARGES ON ASSETS**

As at 30 June 2016, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

## **SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS**

Save as disclosed in Note 14 and 22, there were no significant acquisition and disposal of assets during the six months ended 30 June 2016 and up to the date of this report.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

The Group's capital and operating lease commitments as at 30 June 2016 were detailed in Note 23 to the condensed consolidated interim financial statements.

The Group had no material contingent liabilities as at 30 June 2016.

# Management Discussions and Analysis

## **EMPLOYEES AND REMUNERATION POLICY**

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of the Company's shareholders.

As at 30 June 2016, the Group employed approximately 350 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### The Company

##### (a) Long positions in shares

Name of Director	Capacity	Interest in shares	Approximate percentage of total issued shares
Dr. Yang Wang Jian (Note i)	Interest of controlled corporations	987,697,627	50.07%
Dr. Yu Qigang (Note ii)	Interest of controlled corporations	987,697,627	50.07%

##### Notes:

- (i) The 15 shares are beneficially owned by Gold Bless, a company of which 65% of its share capital is owned by Dr. Yang Wang Jian and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Dr. Yang Wang Jian is the sole director of Gold Bless.

## Other Information

- (ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 987,697,627 shares of the Company. Dr. Yu Qigang is also the beneficial owner of 20% of the issued share capital of Gold Bless. Therefore, Dr. Yu Qigang is deemed to be interested in 987,697,627 shares of the Company pursuant to Part XV of the SFO.
- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2016.

### (b) Long positions in underlying shares

Name of Director	Capacity	Interest in underlying shares	Approximate percentage of total issued shares
Dr. Yang Wang Jian ( <i>Note i</i> )	Beneficial owner	9,000,000	0.46%
Mr. Wong Man Keung ( <i>Note i</i> )	Beneficial owner	9,000,000	0.46%
Ms. Yang Jun ( <i>Note i</i> )	Beneficial owner	6,000,000	0.30%
Ms. Yang Ya ( <i>Note i</i> )	Beneficial owner	5,800,000	0.29%
Ms. Eva Au ( <i>Note ii</i> )	Beneficial owner	65,100,000	3.30%

#### Notes:

- (i) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.
- (ii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (Note 17(d)) beneficially owned by Ms. Eva Au as at 30 June 2016.
- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2016.

## Other Information

### Associated corporation – Gold Bless (the Company is a controlled corporation)

#### *Long positions in shares*

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in shares</b>	<b>Approximate percentage of total issued shares</b>
Dr. Yang Wang Jian	Beneficial owner	65	65.00%
Dr. Yu Qigang ( <i>Note i</i> )	Interest of controlled corporations	15	15.00%
	Beneficial owner	20	20.00%

#### *Notes:*

- (i) The 15 shares are beneficially owned by Winning Top Investments Limited, a company of which the entire share capital is owned by Dr. Yu Qigang. Dr. Yu Qigang is also the beneficial owner of the 20 shares of Gold Bless. Therefore, Dr. Yu Qigang is deemed to be interested in such shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, so far as it is known by or otherwise notified by any Director or chief executive of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

### The Company

#### (a) Long positions in shares

Name of substantial shareholder	Capacity	Interest in shares	Approximate percentage of total issued shares
Gold Bless ( <i>Note i &amp; ii</i> )	Beneficial owner	987,697,627	50.07%
Dr. Yang Wang Jian ( <i>Note i</i> )	Interest of controlled corporations	987,697,627	50.07%
Dr. Yu Qigang ( <i>Note ii</i> )	Interest of controlled corporations	987,697,627	50.07%

#### Notes:

- (i) Gold Bless, a company of which 65% of its share capital is owned by Dr. Yang Wang Jian, beneficially owned 987,697,627 shares and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Dr. Yang Wang Jian is the sole director of Gold Bless.

## Other Information

- (ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 987,697,627 shares of the Company. Dr. Yu Qigang is also the beneficial owner of 20% of the issued share capital of Gold Bless. Therefore, Dr. Yu Qigang is deemed to be interested in 987,697,627 shares of the Company pursuant to Part XV of the SFO.
- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2016.

### (b) Long positions in underlying shares

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Interest in underlying shares</b>	<b>Approximate percentage of total issued shares</b>
Dr. Yang Wang Jian ( <i>Note i</i> )	Beneficial owner	9,000,000	0.46%
Mr. Chung Sum Sang ( <i>Note ii</i> )	Beneficial owner	235,400,000	11.93%
Mr. Yang Yue Zhou ( <i>Note iii</i> )	Beneficial owner	200,000,000	10.14%
Yuanta Securities (Hong Kong) Company Limited ( <i>Note iii</i> )	Nominee for another person	200,000,000	10.14%
JQ Int'l Investment Development Group (China) Limited ( <i>Note iv</i> )	Beneficial owner	100,000,000	5.07%
Mr. Wan Yong Cheng ( <i>Note iv</i> )	Interest of controlled corporations	100,000,000	5.07%

#### *Note:*

- (i) These are the shares which may be issued upon full exercise of the share options granted to Dr. Yang Wang Jian on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

- (ii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (Note 17(d)) beneficially owned by Mr. Chung Sum Sang as at 30 June 2016.
- (iii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the 1st 2016 CB (Note 17(e)) beneficially owned by Mr. Yang Yue Zhou as at 30 June 2016. The 1st 2016 CB was issued to Yuanta Securities (Hong Kong) Company Limited as a nominee of Mr. Yang Yue Zhou.
- (iv) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the convertible bonds to be issued to JQ Int'l Investment Development Group (China) Limited. Mr. Wan Yong Cheng is the beneficial owner of 100% of the issued share capital of JQ Int'l Investment Development Group (China) Limited. Therefore, Mr. Wan Yong Cheng is deemed to be interested in such underlying shares pursuant to Part XV of the SFO. Please refer to the Company's announcements dated 24 June 2016 and 25 July 2016 for details.
- (v) The percentages are calculated based on the total number of issued shares as at 30 June 2016.

Save as disclosed above, the Directors and the chief executives of the Company are not aware of any other corporations or person who, as at 30 June 2016, had the Voting Entitlements or any interests or short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

### SHARE OPTION SCHEME

On 2 September 2006, the Share Option Scheme was approved and adopted by the shareholders of the Company, under which, the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons under the Share Option Scheme for their contribution, and continuing efforts to promote the interests of the Company. The Board consider that the Share Option Scheme is in the interests of the Company and the Shareholders as a whole as it provides the Company with more flexibility in providing incentives to those eligible persons under the Share Option Scheme by way of granting of options.

## Other Information

The eligible persons under the Share Option Scheme include any full-time or part-time employees, directors, suppliers, customers, service providers and consultants of Group, who in the absolute discretion of the Board has contributed to the development and growth of the Group.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK\$0.37 per share (adjusted to HK\$0.32 per share on 19 August 2014 upon the completion of an open offer) were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

As at the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme was 253,046,050 shares, representing 12.83% of the number of issued shares of the Company. The 253,046,050 shares issuable comprises the following:–

- 1) 55,800,000 outstanding share options issued on 11 May 2012;
- 2) on 4 September 2015, the shareholders passed a resolution to refresh the limit imposed under the Share Option Scheme, pursuant to which (after all the conditions of the said refreshment being satisfied), the Company may grant options to eligible persons under the Share Option Scheme to subscribe for up to 197,245,260 shares, which do not include the options that are outstanding, cancelled or have lapsed as at the date of passing of the relevant resolution; and
- 3) 790 options issuable under the old scheme mandate limit prior to the refreshment detailed in (2) above.

The total number of shares to be issued upon exercise of the share options granted under the Share Option Scheme to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue as at the date of grant. If the Board proposes to grant options to a substantial shareholder or an independent non-executive Director or their respective associates which results in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the number of shares in issue on the date of grant and having an aggregate value in excess of HK\$5,000,000, based on the closing price of the shares at the date of each grant, such further grant of options shall be subject to the Shareholders' approval in general meeting.

At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The option will be offered for acceptance for a period of 28 days from the date on which the option is granted or for such other period of time as may be determined by the Board. Upon acceptance of an offer, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

The subscription price shall be determined by the Board in its absolute discretion, but must be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered (the "Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a share of the Company.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme was conditionally adopted by the Shareholders on 2 September 2006 and ending on 1 September 2016. The remaining life of the Share Option Scheme as at 30 June 2016 was approximately 2 months.

## Other Information

The movements in share options during the period are as follows:

Name of grantee	Exercise price HK\$	Exercisable period	As at 1 January 2016	Granted	Exercised/ cancelled/ lapsed	As at 30 June 2016
<b>Directors</b>						
Dr. Yang Wang Jian	0.32	11 May 2012 to 10 May 2022	9,000,000	-	-	9,000,000
Mr. Wong Man Keung	0.32	11 May 2012 to 10 May 2022	9,000,000	-	-	9,000,000
Ms. Yang Jun	0.32	11 May 2012 to 10 May 2022	6,000,000	-	-	6,000,000
Ms. Yang Ya	0.32	11 May 2012 to 10 May 2022	5,800,000	-	-	5,800,000
<b>Other persons</b>	0.32	11 May 2012 to 10 May 2022	26,000,000	-	-	26,000,000
			<u>55,800,000</u>	-	-	<u>55,800,000</u>

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the period.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as disclosed in the paragraph headed “Capital Structure” in the “Management Discussion and Analysis” section above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the six months ended 30 June 2016.

### **CORPORATE GOVERNANCE**

The Board believes that good corporate governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.6.7 which were explained below, the Company has been in compliance with all code provisions set out in the CG Code for the six months ended 30 June 2016.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors and one non-executive Director did not attend the annual general meeting held on 15 June 2016 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

### **AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Low Chin Sin (Chairman), Mr. Yeung King Wah, Kenneth and Mr. Wu Hong. The Audit Committee has reviewed with the Board the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements and results of the Group for the six months ended 30 June 2016 and this report. Also, the Company has established an internal audit function in 2016 and the Audit Committee has reviewed matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function.

## Other Information

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

During the six months ended 30 June 2016, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the six months ended 30 June 2016.

For and on behalf of  
**Green International Holdings Limited**  
**Yang Wang Jian**  
*Chairman*

Hong Kong, 18 August 2016