



0A02C

2016 INTERIM REPORT

The First Platform Of Internet House Decoration Industry Chain Management
互聯網家裝全產業鏈管理第一平臺

中國家居控股有限公司
China Household Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 692)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements of China Household Holdings Limited and its subsidiaries (collectively, the "Group") set out on pages 2 to 25, which comprise the condensed consolidated statement of financial position as at 30 June 2016 and the related condensed consolidated statement of profit or loss and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

Scope Of Review

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

Conclusion

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

ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Chan Wai Nam, William
Practising Certificate Number P05957

Hong Kong
31 August 2016

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 | 3 | 372,228 | 820,002 |
| Cost of sales | | (285,348) | (472,879) |
| Gross profit | | 86,880 | 347,123 |
| Other income | 3 | 1,026 | 7,539 |
| Selling and distribution costs | | (24,546) | (20,555) |
| Administrative expenses | | (60,032) | (128,787) |
| Finance costs | | (35,708) | (68,315) |
| (Loss)/profit before tax | 5 | (32,380) | 137,005 |
| Income tax expense | 6 | (10,863) | (71,775) |
| (Loss)/profit for the period | | (43,243) | 65,230 |
| (Loss)/profit for the period attributable to: | | | |
| Owners of the Company | | (43,243) | 65,371 |
| Non-controlling interests | | – | (141) |
| | | (43,243) | 65,230 |
| (Loss)/earnings per share attributable to ordinary equity holders of the Company | 8 | | |
| Basic | | | |
| – For (loss)/profit for the period | | (1.0) cents | 2.0 cents |
| Diluted | | | |
| – For (loss)/profit for the period | | (1.0) cents | 1.9 cents |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| (Loss)/profit for the period | (43,243) | 65,230 |
| Other comprehensive (expense)/income: Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | (19,113) | 1,029 |
| Total comprehensive (expense)/income for the period, net of tax | (62,356) | 66,259 |
| Total comprehensive (expense)/income attributable to: | | |
| Owners of the Company | (62,356) | 66,403 |
| Non-controlling interests | - | (144) |
| | (62,356) | 66,259 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2016*

| | <i>Notes</i> | 30 June 2016 HK\$'000 (Unaudited) | 31 December 2015 HK\$'000 (Audited) |
|--|--------------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 20,359 | 26,620 |
| Lease premiums for land | | 102,922 | 105,890 |
| Exploration and evaluation assets | <i>9</i> | 106,400 | 106,400 |
| Intangible assets | | 97,028 | 109,800 |
| Other financial assets | <i>10</i> | 73,944 | 361,495 |
| Deferred tax assets | | 33,632 | 34,402 |
| Goodwill | | 379,849 | 379,849 |
| Total non-current assets | | 814,134 | 1,124,456 |
| CURRENT ASSETS | | | |
| Inventories | | 163,383 | 145,699 |
| Lease premiums for land | | 3,959 | 3,959 |
| Trade and bills receivables | <i>11</i> | 200,191 | 163,304 |
| Prepayments, deposits and other receivables | | 568,801 | 537,024 |
| Equity investments at fair value through profit or loss | | 852 | 4,383 |
| Cash and cash equivalents | | 428,256 | 408,872 |
| Total current assets | | 1,365,442 | 1,263,241 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2016

| | Notes | 30 June 2016 HK\$'000 (Unaudited) | 31 December 2015 HK\$'000 (Unaudited) |
|---|-------|--|--|
| CURRENT LIABILITIES | | | |
| Bank loans, secured | 17 | 55,449 | 56,720 |
| Trade payables | 12 | 77,685 | 36,117 |
| Other payables and accruals | | 302,502 | 205,609 |
| Tax payables | | 10,573 | 6,368 |
| Obligation under finance leases | | 165 | 147 |
| Strict bonds | | 166,000 | 66,500 |
| Contingent consideration shares | 13 | - | - |
| Convertible bonds | 14 | 8,787 | 307,322 |
| Promissory notes | 15 | 2,209 | 39,489 |
| Total current liabilities | | 623,370 | 718,272 |
| NET CURRENT ASSETS | | 742,072 | 544,969 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,556,206 | 1,669,425 |
| NON-CURRENT LIABILITIES | | | |
| Obligation under finance leases | | 266 | 349 |
| Other payables | | 113,710 | 141,583 |
| Deferred tax liabilities | | 27,300 | 27,300 |
| Strict bonds | | 322,077 | 357,677 |
| Contingent consideration shares | 13 | - | - |
| Convertible bonds | 14 | - | 75,063 |
| Promissory notes | 15 | 134,512 | 147,471 |
| Total non-current liabilities | | 597,865 | 749,443 |
| NET ASSETS | | 958,341 | 919,982 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 16 | 4,887 | 4,079 |
| Equity component of convertible bonds | | 1,674 | 124,236 |
| Reserves | | 929,475 | 769,362 |
| | | 936,036 | 897,677 |
| Shares to be issued | | 21,418 | 21,418 |
| Non-controlling interests | | 887 | 887 |
| TOTAL EQUITY | | 958,341 | 919,982 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2016*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---------------------------------------|--|--|---|---|---|--|-------------------------------|---|-------------------|---------------------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium [†] HK\$'000 | Contributed surplus [†] HK\$'000 | Employee share option reserves [†] HK\$'000 | Capital reserves [†] HK\$'000 | Equity component of convertible bonds HK\$'000 | Exchange reserves [†] HK\$'000 | Statutory reserve HK\$'000 | Accumulated losses [†] HK\$'000 | Total HK\$'000 | Shares to be issued HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| 1 January 2015 | 3,166 | 1,908,071 | 388,084 | 30,654 | (21) | 165,150 | 919 | 34,236 | (955,617) | 1,574,642 | 21,418 | (1,746) | 1,594,314 |
| Profit for the period and total comprehensive income for the period | - | - | - | - | - | - | 1,032 | - | 65,371 | 66,403 | - | (144) | 66,259 |
| Issue of consideration shares for the acquisition of subsidiaries | 229 | 146,389 | - | - | - | - | - | - | - | 146,618 | - | - | 146,618 |
| Issue of shares upon the conversion of convertible bonds | 8 | 908 | - | - | - | (903) | - | - | - | 13 | - | - | 13 |
| Equity-settled share-options arrangement | - | - | - | 54,952 | - | - | - | - | - | 54,952 | - | - | 54,952 |
| Issue of shares under share option scheme | 1 | 148 | - | (28) | - | - | - | - | - | 121 | - | - | 121 |
| Share option lapsed | - | - | - | (538) | - | - | - | - | 538 | - | - | - | - |
| 30 June 2015 | 3,404 | 2,055,516 | 388,084 | 85,040 | (21) | 164,247 | 1,951 | 34,236 | (889,708) | 1,842,749 | 21,418 | (1,890) | 1,862,277 |
| 1 January 2016 | 4,079 | 2,285,182 | 388,084 | 96,165 | - | 124,236 | (41,146) | 61,120 | (2,020,043) | 897,677 | 21,418 | 887 | 919,982 |
| Loss for the period and total comprehensive income for the period | - | - | - | - | - | - | (19,113) | - | (43,243) | (62,356) | - | - | (62,356) |
| Issue of shares upon the conversion of convertible bonds | 808 | 108,821 | - | - | - | (15,897) | - | - | - | 93,732 | - | - | 93,732 |
| Hair cut during the year due to profit guarantee shortfall | - | - | - | - | - | (104,286) | - | - | 104,286 | - | - | - | - |
| Issue of convertible bonds | - | - | - | - | - | 6,983 | - | - | - | 6,983 | - | - | 6,983 |
| Convertible bonds lapsed | - | - | - | - | - | (9,362) | - | - | 9,362 | - | - | - | - |
| 30 June 2016 | 4,887 | 2,394,003 | 388,084 | 96,165 | - | 1,674 | (60,259) | 61,120 | (1,949,638) | 936,036 | 21,418 | 887 | 958,341 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2016*

| | Six months ended 30 June | |
|--|--|--|
| | 2016 <i>HK\$'000</i> (Unaudited) | 2015 <i>HK\$'000</i> (Unaudited) |
| Net cash flows (used in)/generated from operating activities | (16,706) | 63,002 |
| Net cash flows used in investing activities | – | (2,268) |
| Net cash flows generated from financing activities | 31,694 | 81,422 |
| Net increase in cash and cash equivalents | 14,988 | 142,156 |
| Cash and cash equivalents at the beginning of the period | 408,872 | 240,451 |
| Effect of foreign exchange rate changes | 4,396 | 710 |
| Cash and cash equivalents at the end of the period | 428,256 | 383,317 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | 428,256 | 387,176 |
| Bank overdrafts, secured | – | (3,859) |
| | 428,256 | 383,317 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

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

The Company and its subsidiaries (collectively, the “Group”) were principally engaged in trading of wooden products and provision of interior design services, iron and titanium exploration, development and mining in the Peoples’ Republic of China (“the PRC”), securities investment and provision of information and technologies services and sales of related products during the period.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 (the “Unaudited Condensed Consolidated Interim Financial Statements”) have been approved for issue by the Board of Directors on 31 August 2016.

2. Basis of preparation and significant accounting policies

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

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2015 (the “2015 Annual Financial Statements”) which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA.

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

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared on the historical cost convention, as modified by equity investments at fair value through profit or loss; and other financial assets, which are carried at fair value.

The accounting policies and methods of computation used in the Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2016 are the same as those followed in the preparation of 2015 Annual Financial Statements.

In the current interim period, the Group has applied, for the first time, a number of amendments to HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2016.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in and/or disclosures set out in these Unaudited Condensed Consolidated Interim Financial Statements.

3. Revenue and other income

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

An analysis of revenue and other income are as follows:

| | Six months ended 30 June | |
|--|--|--|
| | 2016 <i>HK\$'000</i> (Unaudited) | 2015 <i>HK\$'000</i> (Unaudited) |
| Revenue | | |
| Sales of goods | 370,480 | 797,511 |
| Provision of services | – | 6 |
| Interest income from loan receivables | – | 14 |
| Sales of listed equity investment | 1,748 | 22,471 |
| | 372,228 | 820,002 |
| Other income | | |
| Commission income | – | 163 |
| Exchange gain | 45 | 331 |
| Interest income | 5 | 21 |
| Fair value gain on listed equity investment at fair value through profit or loss | – | 6,904 |
| Others | 976 | 120 |
| | 1,026 | 7,539 |
| Total revenue and other income | 373,254 | 827,541 |

4. Segment information

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

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

Mining segment – mine exploration, development and mining of iron and titanium ores

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

Other – trading of securities

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the PRC market. However, the Group's executive directors considered that over 90% of the Group's revenue and operating results for both period ended 30 June 2016 and 2015 were mainly derived from its sales of household furnitures therefore the operating segment analysis about profit or loss is not presented.

5. (Loss)/profit before tax

(Loss)/profit before tax is stated after charging the following:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Charging | | |
| Staff costs (excluding directors' remunerations) | | |
| Salaries and allowances | 6,993 | 10,757 |
| Retirement benefit costs | 120 | 163 |
| Equity-settled share based payment | – | 36,655 |
| Total staff costs (excluding directors' remunerations) | 7,113 | 47,575 |
| Depreciation on property, plant and equipment | 1,156 | 1,489 |
| Amortisation of intangible assets | 12,772 | 19,472 |
| Amortisation of lease premiums for land | 2,968 | 2,968 |
| Operating lease rentals in respect of land and buildings | 4,550 | 8,009 |
| Equity-settled share based payment | | |
| Directors | – | 10,133 |
| Employees | – | 36,655 |
| Consultants | – | 8,164 |
| | – | 54,952 |

6. Income tax expense

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

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|------------------|
| | | 2016 HK\$'000 | 2015 HK\$'000 |
| Current tax | | | |
| – Hong Kong | (a) | – | – |
| – PRC | (b) | 10,093 | 76,236 |
| Over provision in respect of previous years | (c) | – | (740) |
| | | 10,093 | 75,496 |
| Deferred tax | | 770 | (3,721) |
| | | 10,863 | 71,775 |

- (a) Hong Kong profit tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.
- (b) Under the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the enterprise income tax rate applicable to the Group's companies operating in the PRC is 25% from 1 January 2008 onwards.
- (c) An over-provision for income tax was HK\$Nil (2015: approximately HK\$740,000).

7. Dividend

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8. (Loss)/earnings per share attributable to ordinary equity holders of the Company

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

The calculations of basic (loss)/earnings per share are based on:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| (Loss)/profit | | |
| (Loss)/profit attributable to owners of the Company, used in the basic earnings per share calculation | (43,243) | 65,371 |

8. (Loss)/earnings per share attributable to ordinary equity holders of the Company *(Continued)*

| | At 30 June 2016 (Unaudited) | At 30 June 2015 (Unaudited) |
|---|--------------------------------------|--------------------------------------|
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation | 4,303,448,849 | 3,284,364,806 |

Diluted (loss)/earnings per share

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

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Consolidated (loss)/profit attributable to owners of the Company | (43,243) | 65,371 |
| Interest expense on convertible bonds (net of tax) | - | 1 |
| | (43,243) | 65,372 |

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 4,303,448,849 | 3,284,364,806 |
| Effect of dilution – weighted average number of ordinary shares: share options and convertible bonds | - | 71,620,664 |
| | 4,303,448,849 | 3,355,985,470 |

The computation of diluted loss per share does not assume the conversion of the Company's share options and convertible bonds since their exercise would result in a decrease in a loss per share for the six months ended 30 June 2016.

9. Exploration and evaluation assets

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

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

During the period ended 30 June 2016, the Group has not carried out any topography survey and feasibility study. The Group has not carried out any development nor production activity during the period. None of the exploration and evaluation costs were transferred to the property, plant and equipment as the directors of the Company are of the opinion that the exploration properties were not capable of commercial production at the end of reporting period.

10. Other financial assets

| | 30 June 2016 | 31 December 2015 |
|----------------------------------|-------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Profit guarantees, at fair value | 73,944 | 361,495 |

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

10. Other financial assets *(Continued)*

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

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

On 30 March 2016, the Group and the vendor, namely Noble Wonderland Limited, have entered into a supplemental agreement that both parties agreed to forfeit the profit guarantee for the year ended 31 December 2015 and for the year ending 2016 where the convertible bonds with principal amount of HK\$480,000,000 is adjusted accordingly to HK\$5,187,000 based on the actual performance for the year ended 31 December 2014, with other terms remain unchanged.

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

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

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

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

10. Other financial assets (Continued)

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

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

11. Trade and bills receivables

| | At 30 June 2016 HK\$'000 (Unaudited) | At 31 December 2015 HK\$'000 (Audited) |
|-----------------------------|--|--|
| Trade and bills receivables | 307,097 | 272,655 |
| Less: Impairment | (106,906) | (109,351) |
| | 200,191 | 163,304 |

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

| | At 30 June 2016 HK\$'000 (Unaudited) | At 31 December 2015 HK\$'000 (Audited) |
|---------------|--|--|
| 0 – 30 days | 99,331 | 49,170 |
| 31 – 60 days | 20,568 | 23,368 |
| 61 – 90 days | 14,032 | 27,572 |
| 91 – 180 days | 13,615 | 46,942 |
| Over 180 days | 159,551 | 125,603 |
| | 307,097 | 272,655 |

11. Trade and bills receivables *(Continued)*

The Group's credit policies are 120 to 180 days.

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

| | <i>HK\$'000</i> (Unaudited) |
|-------------------------------------|---------------------------------------|
| At 1 January 2015 | 96,192 |
| Impairment losses recognised | 92,186 |
| Impairment loss reversed | (73,202) |
| Exchange realignment | (5,825) |
| At 31 December 2015, 1 January 2016 | 109,351 |
| Exchange realignment | (2,445) |
| At 30 June 2016 | 106,906 |

12. Trade payables

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

| | At 30 June 2016 HK\$'000 (Unaudited) | At 31 December 2015 HK\$'000 (Audited) |
|---------------|---|---|
| 0 – 30 days | 48,996 | 11,986 |
| 31 – 60 days | 2,740 | 7,987 |
| 61 – 90 days | 2,150 | 837 |
| 91 – 180 days | 4,674 | 1,063 |
| Over 180 days | 19,125 | 14,244 |
| | 77,685 | 36,117 |

13. Contingent consideration shares

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

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

On 30 June 2016, in view of the status of the business development and to the best knowledge of the Directors, all relevant profit guarantee is not likely to be met. As such the Directors consider the fair value of contingent consideration shares of New Oriental Group as at 30 June 2016 approximated to zero.

14. Convertible bonds

The liabilities component of convertible bonds are as follows:

| | At 30 June 2016 HK\$'000 (Unaudited) | At 31 December 2015 HK\$'000 (Audited) |
|-----------------------------------|--|--|
| CB1 | – | 19,771 |
| CB3 | 8,787 | 287,551 |
| CB5 | – | 75,063 |
| CB6 | – | – |
| Total | 8,787 | 382,385 |
| Classified as current liabilities | (8,787) | (307,322) |
| Non-current liabilities | – | 75,063 |

14. Convertible bonds (Continued)**Convertible Bonds issued in 2016**

On 2 June 2016, the Company issued zero coupon convertible bonds with an aggregate nominal value of HK\$25,000,000 (the "CB 6"). The maturity date of the CB 6 is at the 3rd anniversary of the date of the issue of the convertible bonds. The bond holders have the rights to convert into approximately 250,000,000 conversion shares respectively at initial conversion price of HK\$0.10 per conversion share. Up to 30 June 2016, all of the CB 6, have been converted.

| | Liability component HK\$'000 | Equity component HK\$'000 | Total HK\$'000 |
|--|------------------------------------|---------------------------------|-------------------|
| At 1 January 2016 | - | - | - |
| Issue of convertible bonds | 18,017 | 6,983 | 25,000 |
| Conversion into shares during the period | (18,017) | (6,983) | (25,000) |
| At 30 June 2016 | - | - | - |

Convertible Bonds issued in 2015

On 16 December 2015, the Company issued 3% convertible bonds with an aggregate nominal value of HK\$83,702,000 (the "CB 5") to repay certain promissory notes and accrued interest with total value of same amount. The maturity date of the CB 5 is at the 2nd anniversary of the date of the issue of the convertible bonds. The bond holders have the rights to convert into approximately 558,017,000 conversion shares at initial conversion price of HK\$0.15 per conversion share. As at 30 June 2016, all of the CB 5 have been convert.

| | Liability component HK\$'000 | Equity component HK\$'000 | Total HK\$'000 |
|--|------------------------------------|---------------------------------|-------------------|
| At 1 January 2015 | - | - | - |
| Issue of convertible bonds | 74,789 | 8,914 | 83,703 |
| Conversion into shares during the period | - | - | - |
| Imputed interest expense | 274 | - | 274 |
| At 31 December 2015 and 1 January 2016 (Audited) | 75,063 | 8,914 | 83,977 |
| Conversion into shares during the period | (75,714) | (8,914) | (84,628) |
| Imputed interest expense | 651 | - | 651 |
| At 30 June 2016 (Unaudited) | - | - | - |

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

On 9 July 2013, the Company issued 2% convertible bonds with an aggregate nominal value of HK\$71,916,000 (the "CB 1"). The maturity date of the CB 1 is at the end of 30th months of the date of issue of the convertible bonds. The bond holders have the rights to convert into approximately 97,184,000 conversion shares at initial conversion price of HK\$0.74 per conversion share. As at 30 June 2016, the outstanding principal amounts of the CB1 was Nil (31 December 2015: HK\$20,116,160).

| | Liability component <i>HK\$'000</i> | Equity component <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|--------------------------|
| At 1 January 2015 (Audited) | 14,827 | 9,362 | 24,189 |
| Imputed interest expenses | 5,346 | - | 5,346 |
| Interest paid and payables | (402) | - | (402) |
| At 31 December 2015 and at 1 January 2016 (Audited) | 19,771 | 9,362 | 29,133 |
| Imputed interest expenses | 3,005 | - | 3,005 |
| Interest paid and payable | (9) | - | (9) |
| Lapse of convertible bonds | (22,767) | (9,362) | (32,129) |
| At 30 June 2016 (Unaudited) | - | - | - |

On 31 December 2013, the Company issued 2% convertible bonds with principal value of HK\$480,000,000 (the "CB 3") as a consideration for the acquisition of subsidiaries. The maturity date of the CB 3 is the 3rd anniversary of the date of the issue of the CB 3. The CB 3 carries interest at a rate of 2% per annum which is payable annually in arrears after the date of issue. The bond holders have the rights to convert the CB 3 into ordinary shares of the Company on or before the third anniversary from the issue date of the CB 3 with the conversion price of HK\$0.90 per share, subject to adjustments. The Company is entitled to early redeem the CB 3 in whole or in part at a price equal the outstanding principal amount plus interest accrued thereon. As at 30 June 2016, the outstanding principal amount of the CB3 was HK\$5,187,000 (31 December 2015: HK\$328,379,000).

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

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

| | Liability component HK\$'000 | Equity component HK\$'000 | Total HK\$'000 |
|--|------------------------------------|---------------------------------|-------------------|
| At 1 January 2015 (Audited) | 369,094 | 154,885 | 523,979 |
| Hair cut during the year due to profit guarantee shortfall | (132,769) | (48,925) | (181,694) |
| Imputed interest expenses | 60,826 | - | 60,826 |
| Interest paid and payables | (9,600) | - | (9,600) |
| At 31 December 2015 and at 1 January 2016 (Audited) | 287,551 | 105,960 | 393,511 |
| Imputed interest expenses | 15,745 | - | 15,745 |
| Hair cut during the period due to profit guarantee shortfall | (294,509) | (104,286) | (398,795) |
| At 30 June 2016 (Unaudited) | 8,787 | 1,674 | 10,461 |
| Classified as current liabilities | (8,787) | | |
| Non-current liabilities | - | | |

15. Promissory notes

| | At 30 June 2016 HK\$'000 (Unaudited) | At 31 December 2015 HK\$'000 (Audited) |
|--|--|--|
| At beginning of period/year | 186,960 | 344,134 |
| Promissory notes issued, at fair value | - | 69,517 |
| Early redemption | (19,371) | (25,100) |
| Imputed interest expenses | 7,292 | 35,081 |
| Interest paid and payables | (1,660) | (17,521) |
| Redemption on maturity | (36,500) | (219,151) |
| At end of period/year | 136,721 | 186,960 |
| Classified as current liabilities | (2,209) | (39,489) |
| Non-current liabilities | 134,512 | 147,471 |

16. Share capital

| | Authorized | |
|--|---|-----------------|
| | <i>No. of ordinary shares of HK\$0.001 each</i> | <i>HK\$'000</i> |
| As at 1 January 2015, 31 December 2015 and 30 June 2016 | 1,500,000,000,000 | 1,500,000 |
| | Issued and fully paid | |
| | <i>No. of ordinary shares of HK\$0.001 each</i> | <i>HK\$'000</i> |
| As at 1 January 2015 | 3,166,398,964 | 3,166 |
| Issue of shares for the acquisition of subsidiaries (<i>note a</i>) | 229,090,909 | 229 |
| Issue of shares under share option scheme (<i>note b</i>) | 250,000 | 1 |
| Issue of shares upon the conversion of convertible bonds (<i>note c</i>) | 673,267,280 | 673 |
| Issue of remuneration shares (<i>note d</i>) | 10,000,000 | 10 |
| As at 31 December 2015 and 1 January 2016 | 4,079,007,153 | 4,079 |
| Issue of shares upon the conversion of convertible bonds (<i>note e</i>) | 808,017,167 | 808 |
| As at 30 June 2016 | 4,887,024,320 | 4,887 |

Notes:

- (a) On 30 March 2015, 229,090,909 new ordinary shares of HK\$0.001 each of the Company were issued for the first tranche of consideration share for the acquisition of 100% equity interests in New Oriental Group.
- (b) On 13 May 2015, 250,000 ordinary shares were issued to share option holder who had exercised his option.
- (c) During the year ended 31 December 2015, certain convertible bonds and convertible notes with an aggregate principal amount of HK\$227,119,356 were converted into 673,267,280 ordinary shares of the Company as set out as below:
- i. CN 1 with aggregate principal amount of HK\$949,920 were converted into 7,916,000 ordinary shares of the Company at a conversion price of HK\$0.12 each
 - ii. CB 4 with aggregate principal amount of HK\$226,219,436 were converted into 665,351,280 ordinary shares of the Company at a conversion price of HK\$0.34 each
- (d) On 30 September 2015, the Company issued and allotted 10,000,000 Remuneration Shares as to Chanceton Capital Partners Limited. The premium on the issue of shares amounting to approximately HK\$2,990,000 was credited to the Company's share premium account.
- (e) During the period ended 30 June 2016, certain convertible bonds with an aggregate principal amount of HK\$108,702,576 were converted into 808,017,167 ordinary shares of the Company as set out as below:
- i. CB 5 with aggregate principal amount of HK\$83,702,576 were converted into 558,017,167 ordinary shares of the Company at a conversion price of HK\$0.15 each
 - ii. CB 6, CB 7 and CB 8 with aggregate principal amount of HK\$25,000,000 were converted into 250,000,000 ordinary shares of the Company at a conversion price of HK\$0.10 each

17. Bank loans

The bank loan as at 30 June 2016 and 31 December 2015 of RMB47,498,000 (approximately equivalent to HK\$55,449,000) and RMB47,500,000 (approximately equivalent to HK\$56,720,000) respectively were secured by personal guarantee in period ended 30 June 2016 and year ended 31 December 2015 of RMB47,498,000 (approximately equivalent to 55,449,000) and RMB47,500,000 (approximately equivalent to HK\$56,720,000) respectively put up by a director of the Company and his spouse; certain land and buildings held by 中山嘉冠實業有限公司, a related company controlled by a director and his spouse.

18. Commitments**(a) Operating lease commitments**

As lessee

At 30 June 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 30 June 2016 HK\$'000 (Unaudited) | 31 December 2015 HK\$'000 (Audited) |
|---|--|--|
| Within one year | 9,923 | 9,422 |
| In the second to fifth years, inclusive | 4,196 | 8,599 |
| | 14,119 | 18,021 |

(b) Capital commitments

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

| | 30 June 2016 HK\$'000 (Unaudited) | 31 December 2015 HK\$'000 (Audited) |
|--|--|--|
| Authorised, but not contracted for: Construction cost for the mining infrastructure | 584,842 | 598,218 |

19. Related party transactions and balances

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

| Name of related parties | Nature | Notes | 2016 HK\$'000 | 2015 HK\$'000 |
|--|--|-------|------------------|------------------|
| Revenue/income from related parties: | | | | |
| 中山市金島木業制品有限公司 (Zhongshan Jindao Wood products Co., Ltd.* ("Jindao")) | Sales of goods to a related company | (i) | 12,864 | - |
| | | | 12,864 | - |
| Purchases/expenses paid to related parties: | | | | |
| Ching Hing Weaving Dyeing and Printing Factory Limited | Management expenses paid/ payable to a related company | (ii) | - | 480 |
| 中山市金島木業制品有限公司 Jindao | Purchase of raw material from a related company | (i) | 13,573 | 24 |
| 中山市金島木業制品有限公司 Jindao | Rental expenses paid to a related company | (i) | 4,473 | 4,490 |
| Total | | | 18,046 | 4,994 |

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

Notes:

- (i) An executive director of the Company Mr. Li Zhixiong and his spouse are beneficial owner and director of Jindao.

On 31 December 2014, the Company, as tenant, have entered into tenancy agreement with Jindao (the "Tenancy Agreement"), as landlord, for the leasing of premises for terms of three years commencing from 1 January 2015 and expiring on 31 December 2017 respectively. Details of the Tenancy Agreement can be found in the circular of the Company dated 31 December 2014.

Such transactions carried out by the Company with Jindao were in accordance with the terms of the Tenancy Agreement.

These transactions are also connected transactions as defined in the Chapter 14A of the Listing Rules.

19. Related party transactions and balances *(Continued)*

Notes: (Continued)

- (ii) A former non-executive director of the Company Mr. Yiu Kwok Ming Tommy is also a director of Ching Hing Weaving Dyeing and Printing Factory Limited.

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

- (b) During the period, the key management personnel includes three executive directors (31 December 2015: four) and one non-executive director (31 December 2015: three).

20. Fair Value Measurement

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

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

Assets and liabilities measured at fair value**As at 30 June 2016 (Unaudited)**

| | Level 1 <i>HK\$'000</i> | Level 2 <i>HK\$'000</i> | Level 3 <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| Equity investments at fair value through profit or loss | 852 | – | – | 852 |
| Other financial assets: | | | | |
| Profit guarantees | – | – | 73,944 | 73,944 |
| Contingent consideration shares | – | – | – | – |
| | 852 | – | 73,944 | 74,796 |

20. Fair Value Measurement *(Continued)***Assets and liabilities measured at fair value** *(Continued)*

As at 31 December 2015

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Equity investments at fair value through profit or loss | 4,383 | – | – | 4,383 |
| Other financial assets: | | | | |
| Profit guarantees | – | – | 361,495 | 361,495 |
| Contingent consideration shares | – | – | – | – |
| | 4,383 | – | 361,495 | 365,878 |

During the six months ended 30 June 2016 and year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The Group's policy is to recognise transfers into and out of Level 3 as at the end of the reporting period.

Description of the valuation techniques and inputs used in Level 3 fair value measurement

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

Fair value measurements and valuation processes

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

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

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

21. Events after the reporting period

On 26 July 2016, the Company has offered share options (the "Options"), subject to acceptance of the grantees ("Grantees"), to certain eligible persons under the share option scheme of the Company adopted on 28 June 2013, to subscribe for a total of 340,000,000 ordinary shares of HK\$0.001 each of the Company.

On 5 August 2016, the Company entered into the subscription agreements with not less than six subscribers, pursuant to which the subscribers have conditionally agreed to subscribe or procure subscription by its nominee(s) for the convertible bonds in the principal amount of HK\$90,000,000 with the rights to convert into 900,000,000 conversion shares at initial conversion price of HK\$0.10 (subject to adjustments) per conversion share. For details of the terms, please make reference to the announcement dated 5 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL RESULTS

For the six months ended 30 June 2016, the Group recorded a loss attributable to owners of the Company approximately HK\$43,243,000, representing a decrease of 166.3% as compared to profit of approximately HK\$65,230,000 in the previous corresponding period. The Group turnover decreased to approximately HK\$372,228,000 as compared to HK\$820,002,000 in the previous corresponding period.

The Group's distribution expenses incurred for the six months ended 30 June 2015 was amounted to approximately HK\$24,546,000, representing an increase of 19.4% compare with the previous corresponding period. Such increase was mainly caused by the introduction of commission expenses in the Presence in Thousand Cities strategy in later half of year 2015.

The administrative expenses decreased substantially by 53.4%, from approximately HK\$128,787,000 for the six months ended 30 June 2015 to approximately HK\$60,032,000 for the six months ended 30 June 2016. The decrease was mainly due to the share-based payments of HK\$54,952,000 made to directors, employees and some consultants in the six months ended 30 June 2015 while there was no such payments made in the six months ended 30 June 2016.

INTERIM DIVIDEND

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

REVIEW OF OPERATION

Household furnishing

Household furnishing is still the Group's main stream of revenue and recorded a revenue of approximately HK\$370,480,000, represent a decrease of 53.4%. The operating profit from household furnishing business was approximately HK\$21,247,000, represents a decrease of 92.6%.

Mining business

Giving the slump in the international metal market, the management envisaged market players were incurring enormous losses thus slowing down its pace in the capital investment in the mining business. During the period, the mining business recorded a loss of approximately HK\$246,000.

Information and technologies business

As a result of keen competition and challenging economic environment, the Group did not record any revenue. The Directors are in the process of formulating turn-around strategy and also looking for other business opportunity.

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

(a) Resource summary (includes reserves)

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

(b) Reserve summary

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

There has been no material change in the estimated coal reserves and resources of the Group's iron and titanium dioxide mines as of 30 June 2016, and the estimated iron and titanium dioxide as at 31 December 2015 are set out in the table above.

Others

Others mainly represented the trading of securities, sales of garments and accessories and money lending business. The revenue and results of other segment increased as the holding gain improved resulting from the soaring securities market in the first half of year 2016.

Directors' Interest in Securities

As at 30 June 2016, the directors or their associates have the following interest or short position in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code"):

Share — long position

The Company:

| Name of director | Number of shares held | | | | Total |
|------------------|-----------------------|------------------|---------------------|-----------------|-------------|
| | Personal interests | Family interests | Corporate interests | Other interests | |
| Mr. Li Zhixiong | 697,781,666 | 43,030,000 | — | — | 740,811,666 |

Interest in underlying share

The directors of the Company have been granted options under the Company's share option scheme, the following table summarises the movements in the Company's share options during the period ended 30 June 2016:

| New Scheme | Grant date | At 1 January 2016 | Granted during the period | Exercised during the period | Lapsed during the period | At 30 June 2016 | Exercise period | Exercise price per share |
|---|------------|-------------------|---------------------------|-----------------------------|--------------------------|-------------------|-------------------------|--------------------------|
| Executive directors | | | | | | | | |
| Dr. Kaneko Hiroshi (Resigned on 1 June 2016) | 3.7.2014 | 8,000,000 | - | - | - | 8,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | 10,000,000 | - | - | - | 10,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Mr. Li Zhixiong | 24.4.2015 | 6,000,000 | - | - | - | 6,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Mr. Fu Zhenjun | 3.7.2014 | 20,000,000 | - | - | - | 20,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | 8,000,000 | - | - | - | 8,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| Mr. Kuang Yuanwei | 3.7.2014 | 20,000,000 | - | - | - | 20,000,000 | 3.7.2014- 2.7.2024 | 0.485 |
| | 24.4.2015 | 6,000,000 | - | - | - | 6,000,000 | 24.4.2015- 23.4.2025 | 0.78 |
| | | <u>78,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>78,000,000</u> | | |

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

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

Substantial Shareholders and other persons interests in shares and underlying shares

Any parties (other than the directors) have long positions in the shares and underlying shares as recorded in the register are required to be kept by the Company pursuant to Section 336 of the SFO. As at 30 June 2016, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Share — long position

The Company:

| Name | | Number of underlying shares interested | Percentage of issued share capital at 30 June 2016 |
|-------------|----------------------------------|---|---|
| Wu Guanwen | Beneficial owner | 43,030,000 | 0.88% |
| | Held by spouse (<i>Note 1</i>) | 697,781,666 | 14.27% |
| Lin Kai | Beneficial owner | 356,000,000 | 7.28% |
| Wu Junyi | Beneficial owner | 229,090,909 | 4.68% |

Note:

1. Ms. Wu Guanwen is the spouse of Mr. Li Zhixiong, whose interest was disclosed in previous section.

Liquidity and Financial Resources

At 30 June 2016, the Group had total assets of HK\$2,179,576,000, financed by total liabilities of HK\$1,221,235,000 and total equity of HK\$958,341,000. Accordingly, the Group's ratios of debts to total assets and debts to equity are 56% (31 December 2015: 62%) and 127% (31 December 2015: 160%), respectively.

The Group generally financed its operations by internal cash resources, bank financing and bond issuance. As at 30 June 2016, the Group had cash on hand, bank deposits and bank balances for aggregate amount of about HK\$428,256,000.

During the period under review, the Group issued the bonds with an aggregate principal amount of HK\$63,900,000. At 30 June 2016, the Group had an aggregate principal amount of HK\$488,077,000 of bonds in issue. The coupon rates of these bonds are ranging from 3.5% to 10% per annum with maturity dates from September 2016 to March 2024.

Capital Structure

As at 30 June 2016, the convertible bonds amounted to HK\$108,702,576 were converted into 808,017,167 ordinary shares of the Company.

Apart from the above, there was no change in the capital structure of the Company during the period under review.

PLEDGE OF ASSETS

As at 30 June 2016, the Group did not pledge any of its assets.

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

As at 30 June 2016, the Group employed about 303 employees including sales and merchandising, accounting and administrative staff in Hong Kong and the PRC. The total staff costs and directors' remuneration for the six months ended 2016 were approximately HK\$8,750,000. Employees are remunerated based on market and industry practice. The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

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

For the period under review, the Company has complied with all the applicable code provisions in the code on Corporate Governance Practices and the CG code as set out in Appendix 14 of the Listing Rules during the period from 1 January 2016 to 30 June 2016, except for the deviation discussed below:

In respect of Code Provision A6.7 of the CG code, Mr. Li Zhixiong and Mr. Kuang Yuanwei, the executive directors, Mr. Li Dikang, a non-executive director, Mr. Yu Bingguang, the independent non-executive director, were unable to attend the annual general meeting of the Company held on 1 June 2016 (the "AGM") due to other crucial business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTOR

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its Listed Securities during the six months ended 30 June 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Dr. Loke Yu (Chairman of the Committee), Mr. Yu Bingguang (appointed as member of audit committee on 11 March 2016) and Mr. Lin Xuebin. The Audit Committee has reviewed the Unaudited Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2016. The Audit Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

REMUNERATION COMMITTEE

The Remuneration Committee is established to determine the compensation structure and rewards for the CEO and other executive directors and monitors the policies being applied in remunerating other senior executives. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Yu Bingguang (appointed as Chairman of remuneration committee on 11 March 2016), Mr. Lin Xuebin and Dr. Loke Yu. The Remuneration Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

NOMINATION COMMITTEE

The Nomination Committee is responsible for selecting Board members and ensuring transparency of the selection process. The Nomination Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into considerations criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nominated for directorship. The Committee currently comprises three independent non-executive directors, namely Mr. Yu Bingguang (appointed as Chairman of nomination committee on 11 March 2016), Dr. Loke Yu and Mr. Lin Xuebin. The Nomination committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

MEMBERS OF THE BOARD

Executive Directors:

Dr. Kaneko Hiroshi (Resigned on 1 June 2016)

Mr. Li Zhixiong

Mr. Fu Zhenjun

Mr. Kuang Yuanwei

Non-executive Director:

Mr. Li Dikang

Independent Non-executive Directors:

Dr. Loke Yu

Mr. Lin Xuebin

Mr. Yu Bingguang (Appointed on 11 March 2016)