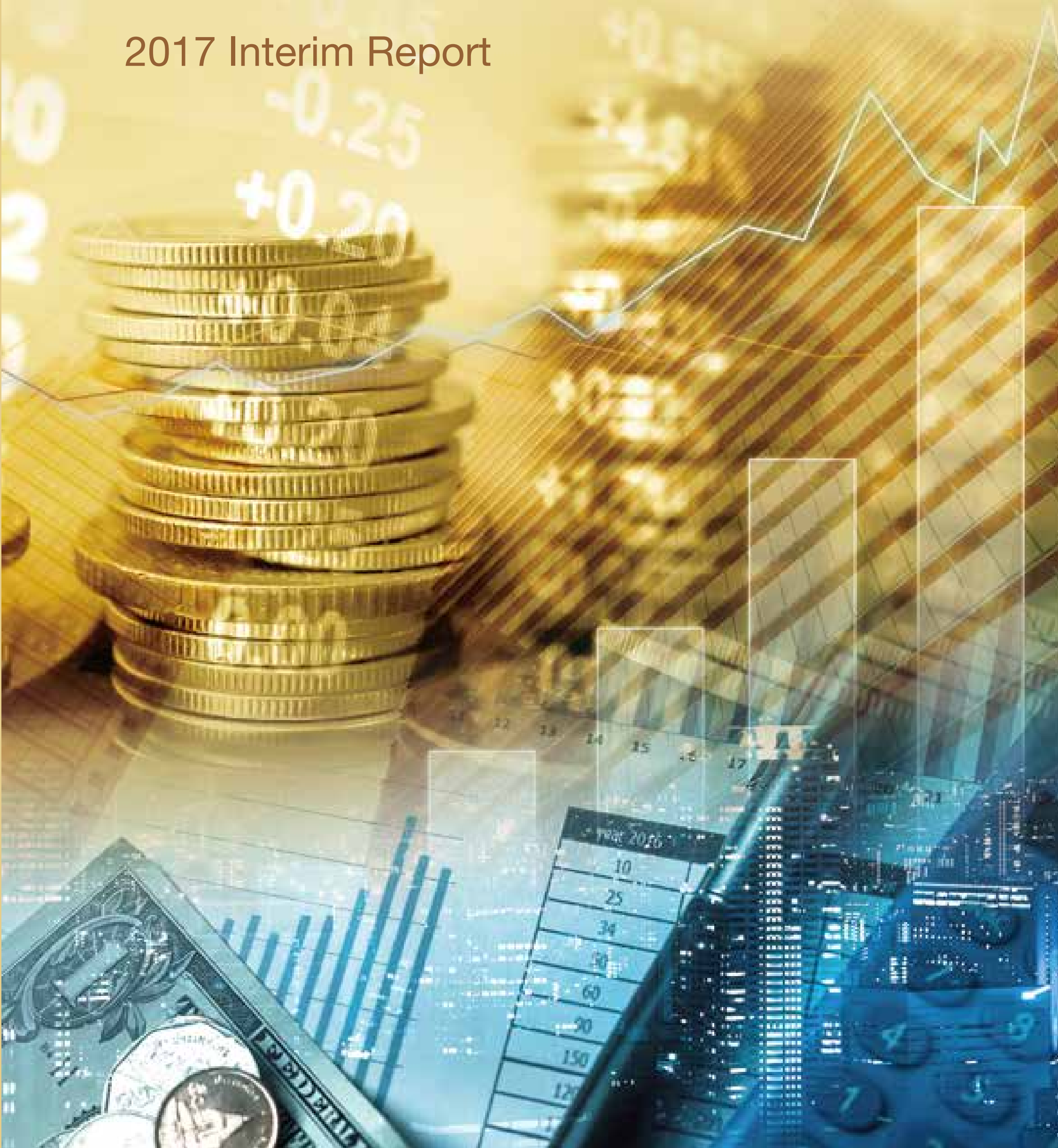
Addchance

Addchance Holdings Limited
互益集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3344)

2017 Interim Report



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. POON Sum *(Chairman)*
(appointed on 19th April 2017)
Mr. CHEUNG Tat Chung
(Chief Executive Officer)
Mr. LO Ping (retired on 23rd May 2017)
Mr. ZHENG Jun (retired on 23rd May 2017)

NON-EXECUTIVE DIRECTORS

Mr. CHUI Chi Yun, Robert
(retired on 23rd May 2017)
Mr. ZHAO Xu
(retired on 12th August 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND CORPORATE GOVERNANCE COMMITTEE

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. POON Sum
Ms. HUI Wai Man, Shirley

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9/F., 822 Lai Chi Kok Road
Cheung Sha Wan
Kowloon
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

WEBSITE

www.addchance.com.hk
www.irasia.com/listco/hk/addchance/index.htm

STOCK CODE

3344

FINANCIAL HIGHLIGHTS

Key Financial Results

	Six months ended 30th June		
	2017	2016	Changes
	HK$000	HK$000	+/-%
Turnover	206,223	233,234	-11.6%
Gross Loss	(38,091)	(39,130)	-2.7%
Loss for the period	(80,198)	(144,814)	-44.6%
Loss per share (in HK cents)	(2.55)	(20.52)	-87.6%

Financial Ratios

	Six months ended 30th June	
	2017	2016
Profitability ratios:		
Gross margin (%)	-18.5%	-16.8%
Net margin (%)	-38.9%	-62.1%
Liquidity ratios:		
Current ratio (times)	0.57	0.54
Stock turnover (days) *(Note 1)*	55	259
Debtors turnover (days) *(Note 2)*	42	78
Creditors turnover (days) *(Note 3)*	39	57
Capital adequacy ratio		
Gearing ratio (%) *(Note 4)*	55.2%	63.7%

Notes:

1. The number of stock turnover days is equal to inventory at the end of period divided by the cost of sales for the period and then multiplied by 181 days.

2. The number of debtors' turnover days is equal to trade and bills receivables at the end of period divided by the sales of the period and then multiplied by 181 days.

3. The number of creditors' turnover days is equal to trade and bills payable at the end of period divided by the cost of sales for the period and then multiplied by 181 days.

4. The gearing ratio is equal to total bank and other borrowings at the end of the period divided by total assets at the end of the period.

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	NOTES	For the six months ended 30th June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Revenue	3	206,223	233,234
Cost of sales		(244,314)	(272,364)
Gross loss		(38,091)	(39,130)
Other income and other gains and losses	4	51,696	(12,576)
Selling and distribution costs		(8,518)	(16,409)
Administrative expenses		(63,514)	(58,624)
Finance costs	5	(21,771)	(17,934)
Loss before tax		(80,198)	(144,673)
Income tax expense	6	–	(141)
Loss for the period	7	(80,198)	(144,814)
Other comprehensive income (expense) that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		5,960	(38,340)
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		(43,712)	–
		(37,752)	(38,340)
Total comprehensive expense for the period		(117,950)	(183,154)
Loss for the period attributable to:			
Owners of the Company		(79,716)	(144,814)
Non-controlling interests		(482)	–
		(80,198)	(144,814)
Total comprehensive expense attributable to:			
Owners of the Company		(117,468)	(183,154)
Non-controlling interests		(482)	–
		(117,950)	(183,154)
Loss per share, in HK cents			
Basic	9	(2.55)	(20.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2017

	NOTES	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	315,404	334,671
Prepaid lease payments		42,976	43,500
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		13,309	13,309
Available-for-sale investments	11	81,956	97,376
Goodwill	17	23,453	–
Other assets	17	–	16,000
		477,098	504,856
CURRENT ASSETS			
Prepaid lease payments		1,049	1,049
Inventories		74,117	46,595
Loan receivables	12	42,000	–
Trade receivables and other receivables, deposits and prepayments	13	144,763	105,274
Tax recoverable		1,572	1,572
Bank balances and cash		133,795	107,996
		397,296	262,486
Assets classified as held for sale	18	–	114,313
		397,296	376,799

AT 30TH JUNE, 2017

	NOTES	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
CURRENT LIABILITIES			
Trade payables, bills payable and other payables	14	185,706	153,693
Tax liabilities		783	783
Bank and other borrowings – due within one year	15	461,143	590,396
Bank overdrafts		48,308	68,128
		695,940	813,000
Liabilities associated with assets classified as held for sale	18	–	133,703
		695,940	946,703
NET CURRENT LIABILITIES		(298,644)	(569,904)
TOTAL ASSETS LESS CURRENT LIABILITIES		178,454	(65,048)
CAPITAL AND RESERVES			
Share capital	16	53,967	8,467
Reserves		97,593	(98,118)
		151,560	(89,651)
Non-controlling interests		1,483	(1)
		153,043	(89,652)
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	15	21,660	20,860
Deferred tax liabilities		3,751	3,744
		25,411	24,604
		178,454	(65,048)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Special reserves HK$'000 *(Note b)*	Statutory reserves HK$'000 *(Note c)*	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1st January 2016 (audited)	7,057	431,560	69,447	24,673	15,127	179,819	(464,092)	263,591	–	263,591
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(38,340)	–	(38,340)	–	(38,340)
Loss for the period	–	–	–	–	–	–	(144,814)	(144,814)	–	(144,814)
Total comprehensive expense for the period	–	–	–	–	–	(38,340)	(144,814)	(183,154)	–	(183,154)
At 30th June 2016 (unaudited)	7,057	431,560	69,447	24,673	15,127	141,479	(608,906)	80,437	–	80,437
At 1st January 2017 (audited)	8,467	472,344	69,447	24,673	15,127	134,154	(813,863)	(89,651)	(1)	(89,652)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	5,960	–	5,960	–	5,960
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries (note 18)	–	–	–	–	–	(43,712)	–	(43,712)	–	(43,712)
Loss for the period	–	–	–	–	–	–	(79,716)	(79,716)	(482)	(80,198)
Total comprehensive expense for the period	–	–	–	–	–	(37,752)	(79,716)	(117,468)	(482)	(117,950)
Acquisition of subsidiaries (note 17)	–	–	–	–	–	–	–	–	1,614	1,614
Acquisition of additional interest in a subsidiary	–	–	–	(352)	–	–	–	(352)	352	–
Issue of new shares	45,500	318,500	–	–	–	–	–	364,000	–	364,000
Transaction costs attributable to issue of new ordinary shares	–	(4,969)	–	–	–	–	–	(4,969)	–	(4,969)
At 30th June 2017 (unaudited)	53,967	785,875	69,447	24,321	15,127	96,402	(893,579)	151,560	1,483	153,043

Notes:

(a) The contributed surplus of the Group represent (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a former shareholder from Interlink Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; and less (ii) dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company.

(b) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited, the Company's subsidiary, and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23rd September, 2004; (ii) the contribution from non-controlling interests of net assets value shared by them to a former shareholder of Interlink Atlantic Limited; and (iii) the difference between the amount by which the non-controlling interest is adjusted and the consideration paid for the change in the Group's ownership interest in a subsidiary that do not result in change in control over that subsidiary.

(c) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in the People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. In accordance with relevant PRC and Macau Company Laws and regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profit after taxation computed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	For the six months ended 30th June	
	2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Net cash (used in) from operating activities	(115,287)	10,367
Net cash used in investing activities:		
Loans to independent third parties	(42,000)	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of) (note 18)	(6,704)	–
Purchase of property, plant and equipment	(3,086)	(553)
Proceeds on disposal of property, plant and equipment	280	4
Acquisition of subsidiaries (net of cash and cash equivalents acquired) (note 17)	1,832	–
Refund of deposit paid for acquisition of investment	12,000	–
	(37,678)	(549)
Net cash from (used in) financing activities:		
Net proceeds from issue of shares	359,031	–
Net proceeds from issue of bonds	35,574	–
New bank borrowings raised	30,326	16,944
Early redemption of bonds	(31,000)	–
Interest paid	(18,887)	(17,094)
Repayment of other borrowings	(33,000)	–
Repayment of bank borrowings	(148,160)	(50,559)
Advance from a former shareholder of the Company	–	174
	193,884	(50,535)
Net increase (decrease) in cash and cash equivalents	40,919	(40,717)
Cash and cash equivalents at 1st January	44,568	40,347
Cash and cash equivalents at 30th June	85,487	(370)
Cash and cash equivalents at 30th June represented by		
Bank balances and cash	133,795	64,231
Bank overdrafts	(48,308)	(64,601)
	85,487	(370)

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that (a) the Group incurred a net loss attributable to owners of the Company of approximately HK$79,716,000 for the six months ended 30th June, 2017 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$298,644,000; (b) a debt restructuring deed entered into by the Group and each of certain bankers of the Company (the "Banks") on 9th March, 2017 (the "Debt Restructuring Deed") was still under execution and the likelihood of the successful completion of which is depending on the sufficiency of the Group's resources to settle the relevant amount under the Debt Restructuring Deed; and (c) the legal proceedings with former related parties were still pending.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) Likelihood of successful execution of the debt restructuring plan

On 9th March, 2017, the Group and each of the Banks entered into the Debt Restructuring Deed, as set out in details in note 1 to the Group's consolidated financial statements for the year ended 31st December, 2016 approved by the Board of Directors on 31st March, 2017. Up to the date these condensed consolidated financial statements were authorised for issuance, the Group has paid an aggregate amount of approximately HK$90 million to the Banks.

The Group will be assigned with all of its rights, title, benefits and interests in certain defaulted bank borrowings upon the payments made by the Group for an aggregate amount of HK$230 million out of the HK$527 million within 180 days from the date of the Debt Restructuring Deed and the Group will undertake to make the final payment of HK$150 million. The directors of the Company are of the view that the Group has sufficient resources to settle the remaining balance of HK$290 million within one year from the date of the signing the Debt Restructuring Deed, taking into consideration the Group's internal resources and any further fund raising activities shall needs arise.

1. BASIS OF PREPARATION *(Continued)*

(ii) Outcomes of the legal proceedings with former related parties

During the current interim period, the Group received a winding-up petition presented by a former related party for winding up Addchance Limited, an indirect wholly-owned subsidiary of the Company. The Group has also received a writ of summons from an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director of the Company. The aggregate amount claimed by these related parties is approximately HK$50 million.

The directors of the Company have instructed its legal advisers to review the details of these legal proceedings and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claims. Besides, Addchance Limited has issued a writ of summons under separate action and claims against the former related party and his associates for certain debts. However, the ultimate outcomes of these legal proceedings could not be assessed at this preliminary stage. As at 30th June, 2017, the aggregate amount involved in these proceedings are included in trade payables, bills payable and other payables on the condensed consolidated statement of financial position.

(iii) Implementation of active cost-saving measures

The Group is implementing actively cost-saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group's business will be significantly improved in the forthcoming year.

The directors of the Company consider that after taking into account the internal resources, the likelihood of successful execution of the debt restructuring plan, favourable outcomes of the legal proceedings, implementation of cost-saving measures and any further fund raising activities should needs arise, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2016.

(i) The Company adopts the following new accounting policies in this interim period.

Business combinations

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the relevant accounting policy in the Group's annual consolidated financial statements for the year ended 31st December, 2016 and above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) The Company adopts the following new accounting policies in this interim period. *(Continued)*

Goodwill *(Continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(ii) In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

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

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31st December, 2017.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM") of the Group, for the purposes of resources allocation and assessment of performance focuses on the types of goods or services delivered or provided.

The Group had five operating and reportable segments under IFRS 8 for the six months ended 30th June, 2016, when the Group's operation included principally the production and sale of cotton yarn, production and sale of knitted sweater, production and sale of dyed yarns, provision of dyed service and trading of cotton yarns. During the six months ended 30th June, 2017, the Group has determined to broaden and diversify its business by engaging in the business of trading of petroleum, provision of financial service and big data solutions.

To better reflect the diversification of the businesses now engaged by the Group and assessment of performance across difference business lines for allocation of resources, the Group's internal reports have been revised such as all of the five previous operating and reporting segments under the business of production, sale and trading of textile products have been combined into one single reportable segment. Accordingly, the Group's reportable segments have been modified as four from a business perspective, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum, (iii) Provision of financial service and (iv) Provision of big data solutions. Comparatives have been restated accordingly.

3. SEGMENT INFORMATION *(Continued)*

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

Six months ended 30th June, 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial service HK$'000	Provision of big data solutions HK$'000	Total HK$'000
REVENUE	104,979	101,112	132	–	206,223
SEGMENT (LOSS) PROFIT	(22,199)	229	(1,719)	(1,867)	(25,556)
Unallocated expenses					(17,975)
Other income and other gains and losses					(14,896)
Finance costs					(21,771)
Loss before tax					(80,198)

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30th June, 2016 (restated)

	Production, sale and trading of textile products and total HK$'000
REVENUE	233,234
SEGMENT LOSS	(90,258)
Unallocated expenses	(7,516)
Other income and other gains and losses	(28,965)
Finance costs	(17,934)
Loss before tax	(144,673)

Segment (loss) profit represents the (loss) profit before tax of each segment without allocation of central administration costs, directors' salaries, change in fair value of an available-for-sale investment, other income and other gains and losses not attributable to segment loss (profit) and finance costs. This is the measure reported to the CODM, for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by reportable segments:

As at 30th June, 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial service HK$'000	Provision of big data solutions HK$'000	Total HK$'000
ASSETS					
Segment assets	528,945	41,670	22,695	23,628	616,938
Available-for-sale investments					81,956
Unallocated corporate assets					175,500
CONSOLIDATED TOTAL ASSETS					874,394

3. SEGMENT INFORMATION *(Continued)*

As at 31st December, 2016

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Total HK$'000
ASSETS			
Segment assets	503,328	–	503,328
Available-for-sale investment			97,376
Assets classified as held for sale			114,313
Unallocated corporate assets			166,638
CONSOLIDATED TOTAL ASSETS			881,655

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to reportable and operating segments other than other assets, loan receivables, tax recoverable, available-for-sale investments, assets classified as held for sale, bank balances and cash and assets of non-core businesses on the basis of the revenue earned by individual reportable segments. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30th June	
	2017 HK$'000	2016 HK$'000
Other income and other gains (losses) comprises:		
Bank interest income	28	8
Interest income on loan receivables	1,482	–
Interest income on other assets	–	183
Income from scrap materials	1,794	966
Income from electricity and streaming charges	24	61
Rental income	1,454	2,154
Sundry income	1,212	3,114
Gain on disposal of subsidiaries *(note 18)*	67,244	–
Gain on disposal of property, plant and equipment	56	4
Net exchange (loss) gains	(652)	18,390
Loss on early redemption of bonds	(5,526)	–
Impairment loss recognised on available-for-sale investment	(15,420)	(35,455)
Impairment losses recognised on other receivables	–	(2,001)
	51,696	(12,576)

5. FINANCE COSTS

	For the six months ended 30th June	
	2017 HK$'000	2016 HK$'000
Interest on bank and other borrowings	21,771	17,934

6. INCOME TAX EXPENSE

	For the six months ended 30th June	
	2017 HK$'000	2016 HK$'000
The income tax expense comprises:		
Hong Kong Profits Tax		
– Current period	–	44
Deferred taxation		
– Current period	–	97
	–	141

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30th June, 2016. No provision for Hong Kong Profits tax has been made for the six months ended 30th June, 2017 as the Group had no assessable profit.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards. No provision for EIT has been made for both periods as the Group had no assessable profit.

Pursuant to the relevant laws and regulations in Cambodia, the profit generated from Cambodian subsidiaries of the Company are entitled to exemption from Cambodian Income Tax until 2018.

7. LOSS FOR THE PERIOD

	For the six months ended 30th June	
	2017 HK$'000	2016 HK$'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	22,940	27,335
Amortisation of prepaid lease payments	524	730

8. DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30th June 2017 (six months ended 30th June 2016: nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss for the period attributable to the owners of the Company of HK$79,716,000 (six months ended 30th June 2016: HK$144,814,000) and on the weighted average number of shares in issue of 3,120,764,058 (six months ended 30th June 2016: 705,730,909).

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding during any time in both periods.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred capital expenditure of HK$3,086,000 (six months ended 30th June, 2016: HK$553,000) on top of the acquisitions as set out in note 17.

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2017 HK$'000	31.12.2016 HK$'000
Available-for-sale investments – unlisted securities		
– Coulman International Limited ("Coulman International"), at fair value *(Note i)*	79,125	94,545
– National Asia Group Limited ("National Asia"), at cost *(Note ii)*	9,500	9,500
Less: impairment loss recognised	(6,669)	(6,669)
	2,831	2,831
	81,956	97,376

Notes:

(i) This represents 13% of the equity interest in Coulman International. Coulman International is an investment holding company incorporated in the British Virgin Islands and its non wholly-owned subsidiaries operate in natural gas business, including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment in the PRC. It is measured at fair value at the end of the reporting period.

The actual performance of the Coulman International was less favourable than the estimate of its management and an impairment loss of HK$15,420,000 (six months ended 30th June, 2016: HK$35,455,000) has been made for the year ended 31st December, 2016 and have been included in profit or loss in the other income and other gains and losses.

(ii) This represent 27% interest in National Asia, which engaged in trading of fuel oil for vessels. In the opinion of directors of the Company, the Group does not exercise significant influence in National Asia and this investment is accounted for as an available-for-sale investment. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the company is of the opinion that their fair values cannot be measured reliably.

12. LOAN RECEIVABLES

	30.6.2017 HK$'000	31.12.2016 HK$'000
Analysed for reporting purpose as:		
Secured *(Note)*	34,000	–
Unsecured	8,000	–
	42,000	–

The amounts as at 30th June, 2017 are due from independent third parties bearing fixed interest rates ranging from 2% to 24% per annum.

Note: The amount is secured by a promissory note with a principal amount of HK$38,000,000 due on 30th January, 2018 issued to the relevant borrower by a company whose shares are listed on The Stock Exchange of Hong Kong Limited. The said promissory note has been assigned to the Group by the borrower to secure the above lending.

13. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group generally allows credit periods ranged from 30 days to 120 days to its trade customers.

Aged analysis of trade receivables is presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	30.6.2017 HK$'000	31.12.2016 HK$'000
Aged:		
0 – 30 days	24,367	17,879
31 – 60 days	6,175	13,943
61 – 90 days	2,488	9,240
91 – 120 days	12,758	7,481
Over 120 days	1,109	2,588
	46,897	51,131

14. TRADE AND OTHER PAYABLES

Aged analysis of trade payables is presented based on the invoice dates, at the end of the reporting period is as follows:

	30.6.2017 HK$'000	31.12.2016 HK$'000
Aged:		
0 – 60 days	24,108	6,220
61 – 90 days	6,358	722
Over 90 days	22,115	12,634
	52,581	19,576

15. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK$30,326,000 (six months ended 30th June, 2016: HK$16,944,000) as additional working capital and made repayment of bank borrowings HK$148,160,000 which includes defaulted borrowings in the sum of HK$90,000,000 (six months ended 30th June, 2016: HK$50,559,000 which includes defaulted borrowings in the sum of HK$5,612,000). All the new loans are bearing fixed interest at the rates ranging from 4.60% to 8.40% per annum.

16. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January 2016, 31st December 2016 and 30th June 2017	10,000,000,000	100,000
Issued and fully paid:		
At 1st January 2017	846,730,909	8,467
Issuance of new shares *(Note)*	4,550,000,000	45,500
At 30th June 2017	5,396,730,909	53,967

Note: On 6th January 2017, the Group entered into subscription agreements with four subscribers, Gold Train Investments Limited (the "First Subscriber"), Mr. Yuan Dongjie (the "Second Subscriber"), Mr. Chen Chiquan (the "Third Subscriber") and Ms. Li Shuanghui (the "Forth Subscriber"), pursuant to which the First Subscriber has agreed to subscribe for no less than 2,500,000,000 new shares and no more than 3,800,000,000 new shares and each of the remaining subscribers have agreed to subscribe for 250,000,000 new shares. The ultimate beneficial owner of First Subscriber is Mr. Poon Sum (who has been appointed as an executive director and chairman of the board of directors of the Company on 19th April, 2017) and the other Subscribers are independent third parties. All new shares under subscription agreements would be at HK$0.08 each. All of these subscriptions have been completed and an aggregate of 4,550,000,000 shares have been issued by the Company. The gross and net proceeds from these subscriptions are approximately HK$364 million and HK$359 million, respectively. The net proceeds from the subscriptions were arrived after deduction of commission and other related expenses.

17. ACQUISITION OF SUBSIDIARIES

During the current interim period, the Group completed the following acquisitions.

(a) **Acquisition of 深圳市易簡行數據技術有限公司 Shenzhen Eastone Data Technology Co. Ltd. ("Shenzhen Eastone")**

On 15th May, 2017, an indirect wholly-owned subsidiary of the Company, Addchance International Limited acquired 51% equity interest in Shenzhen Eastone at a consideration of HK$9,530,000. Shenzhen Eastone is principally engaged in provision of big data services. The acquisition has been accounted for using acquisition method.

(b) **Acquisition of LW Asset Management Advisors Limited ("LW Asset") and its subsidiary (collectively referred as "LW Asset Group")**

On 7th March, 2017, an indirect wholly-owned subsidiary of the Company, Diamond Forest International Limited acquired 70.83% equity interest in LW Asset at a consideration of HK$17,000,000. LW Asset Group is principally engaged in provision of asset management service. The acquisition has been accounted for using the acquisition method.

	Shenzhen Eastone HK$'000	LW Asset Group HK$'000	Total HK$'000
Consideration comprises of:			
Promissory note *(Note i)*	9,530	–	9,530
Cash paid during the current period	–	1,000	1,000
Deposit paid during the year ended 31st December, 2016	–	16,000	16,000
	9,530	17,000	26,530

17. ACQUISITION OF SUBSIDIARIES *(Continued)*

	Shenzhen Eastone HK$'000	LW Asset Group HK$'000	Total HK$'000
Provisional fair value of assets acquired and liabilities recognised at the date of acquisition *(Note ii)*			
Property, plant and equipment	1,557	96	1,653
Trade receivables and other receivables, deposits and prepayment	12,411	617	13,028
Bank balances and cash	22	2,810	2,832
Trade payables, bill payable and other payables	(12,753)	(61)	(12,814)
Deferred tax liabilities	–	(8)	(8)
	1,237	3,454	4,691
Goodwill on acquisition (Note ii)			
Consideration transferred	9,530	17,000	26,530
Add: non-controlling interests	606	1,008	1,614
Less: net assets acquired	(1,237)	(3,454)	(4,691)
	8,899	14,554	23,453
Cash inflow arising on acquisition for the current period			
Bank balances and cash acquired	22	2,810	2,832
Less: cash consideration paid during current period	–	(1,000)	(1,000)
	22	1,810	1,832

17. ACQUISITION OF SUBSIDIARIES *(Continued)*

Notes:

(i) The promissory note is unsecured, interest-bearing at 2% and repayable within one year. It is issued by Addchance International Limited with a principal amount of HK$10 million and an effective interest rate of 12.24% per annum.

(ii) The initial accounting for the acquisition of subsidiaries has been determined provisionally for the intangible assets to be identified and recognised awaiting the receipt of professional valuation in relation to the respective fair values.

(iii) Pursuant to the sale and purchase agreement for the acquisition of Shenzhen Eastone, Addchance International Limited is required to pay to the vendor an amount calculated with reference to the audited net profit of Shenzhen Eastone for the year ending 31st December, 2017 of no more than HK$10,400,000. Based on the best estimate of the directors of the Company as at the date of this report, the profit target of Shenzhen Eastone as specified in the sale and purchase agreement will not be met and no provision for contingent consideration is made as at 30th June, 2017.

18. DISPOSAL OF SUBSIDIARIES

On 6th January, 2017, an indirect wholly-owned subsidiary of the Company, Addchance Limited, entered into a sale and purchase agreement with an independent third party (the "Buyer"), pursuant to which, Addchance Limited agreed to dispose of all of its equity interests in Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. and Zhangjiagang Addchance Spinnery Co., Ltd. (collectively referred as the "Disposal Group"), which were indirect wholly-owned subsidiaries of the Company at the material time, at an aggregate cash consideration of HK$1,000,000.

The disposal of the Disposal Group was completed on 22nd February, 2017.

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	67,675
Prepaid lease payments	12,344
Inventories	17,346
Trade and other receivables	10,910
Bank balances and cash	7,704
Trade and other payables	(44,716)
Tax liabilities	(5,368)
Bank borrowings	(88,427)
Net liabilities disposed of	(22,532)
Gain on disposal of the Disposal Group:	
Consideration received	1,000
Release of translation reserve	43,712
Net liabilities disposed of	22,532
Gain on disposals	67,244
Net cash outflow arising on the disposal:	
Cash consideration	1,000
Less: bank balances and cash disposed of	(7,704)
	(6,704)

19. CONTINGENT LIABILITY

	30.6.2017 HK$'000	31.12.2016 HK$'000
Financial guarantee given to banks	32,360,000	–

As at 30th June, 2017, the Group issued financial guarantees to certain banks in respect of the banking facilities granted to the Disposal Group. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK$32,360,000 (31st December, 2016: nil) has been utilised by the Disposal Group. A counter indemnity in favour of the Group is executed pursuant to which the Buyer of the Disposal Group undertakes to indemnify the Group if the banks demand the Group for payment in case the Disposal Group is unable to settle the outstanding bank borrowings.

20. CAPITAL COMMITMENTS

	30.6.2017 HK$'000	31.12.2016 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of a subsidiary	–	1,000

21. PLEDGE OF ASSETS

At the end of reporting period, the Group pledged the following assets to banks for the bank borrowings and credit facilities granted to the Group:

	30.6.2017 HK$'000	31.12.2016 HK$'000
Property, plant and equipment	4,945	54,628
Prepaid lease payments	8,904	20,858
	13,849	75,486

As at 31st December 2016, property, plant and equipment of HK$49,079,000 (30th June 2017: nil) and prepaid lease payments of HK$11,841,000 (30th June 2017: nil) were included in assets classified as held for sale.

22. FAIR VALUE MEASUREMENTS OF AN AVAILABLE-FOR-SALE INVESTMENT

An available-for-sale investment as at 30th June 2017 and 31st December 2016 is measured at fair value at the end of each reporting period. The following summary gives information about how the fair value of this financial asset is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

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

Financial asset	Fair value as at 30.6.2017 HK$'000	Fair value as at 31.12.2016 HK$'000	Fair value hierarchy	Valuation technique and key input(s)
13% private equity investments classified as an available-for-sale investment in the condensed consolidated statement of financial position	79,125	97,376	Level 3	Discounted cash flow. Future cash flows are estimated based on revenue growth rates and operating margin, discounted by weighted average cost of capital which is determined using a Capital Asset Pricing Model.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

23. RELATED PARTY DISCLOSURES

During the current interim period, the Group entered into the following transactions with related parties:

Related parties	Nature of transactions	For the six months ended 30th June 2017 HK$'000	2016 HK$'000
RC Corporate Services Limited ("RC") *(Note (i))*	Services fee paid	402	326
RCK Consulting Limited ("RCK") *(Note (i))*	Services fee paid	159	30
Dr. Sung Chung Kwun *(Note (ii))*	Rental expense paid	–	445
Addchance Dyeing Factory Limited ("Addchance Dyeing") *(Note (ii))*	Rental expense paid	–	3,060

Notes:

(i) Mr. Chui Chi Yun, Robert, a non-executive director of the Company, has substantial interests in RC and RCK. On 23rd May, 2017, Mr. Chui Chi Yun, Robert was not re-elected as a non-executive director at the annual general meeting of the Company and ceased to be a director of the Company. The amount for the six months ended 30th June, 2017 represent the amounts incurred in the period from 1st January, 2017 up to the date Mr. Chui Chi Yun, Robert ceased to be a related party.

(ii) A former substantial shareholders and former director of the Company, Dr. Sung Chung Kwun, has beneficial interests in Addchance Dyeing. Dr. Sung Chung Kwun retired as a director of the Company on 31st May, 2013 and ceased to be a substantial shareholder of the Company during the year ended 31st December, 2016. In addition, Addchance Dyeing has arranged the execution of second mortgage in respect of its properties in favour of the Banks to secure the borrowings granted to the Group.

Compensation of key management personnel

The remuneration of directors and key executives of the Company is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to HK$5,507,000 (six months ended 30th June 2016: HK$4,248,000).

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's consolidated revenue for the six months ended 30th June, 2017 decreased by approximately 11.6% from approximately HK$233,234,000 in the corresponding period last year to HK$206,223,000.

Textile business remained the principal business of the Group. The revenue of the Group's textile business significantly decreased by approximately 55.0% to HK$104,979,000 as compared with the corresponding period last year. During the current interim period, as the textile business was restructured and has shifted its focus, the largest revenue source of textile business changed to production and sale of knitted sweaters from production and sale of dyed yarns in the corresponding period last year. Due to disposal of subsidiaries in the PRC engaging in dyeing and production and sale of dyed yarns and suspension of the dyeing factory due to restructuring, the revenue from production and sale of dyed yarns fell significantly from approximately HK$102,192,000 in the corresponding period last year to approximately HK$19,118,000, representing approximately 18.2% of the total revenue of the textile business, down from approximately 43.8% in the corresponding period last year. Revenue from production and sale of knitted sweaters decreased from approximately HK$92,523,000 in the corresponding period last year to approximately HK$61,400,000, representing approximately 58.5% of the total revenue of the textile business.

Although cotton prices in the market were relatively stable during the period, the textile business was still full of challenges due to sluggish demand for textile products both in domestic and foreign markets. The size and volume of orders for the first half of the year were further affected due to the sluggish demand in overseas markets, sustained rise in production costs, intensified international competition and rapid development of textile industry in neighbouring countries such as Bangladesh, and market demands from European customers decreased as a whole and orders decreased. In addition, since the cash flow of the Group was tight last year and early this year, its competitiveness was weakened, which, in turn, severely affected the orders and operating performance of the textile business in the first half of the year. Although the Group has started business restructuring since the second half of last year, including disposing some PRC subsidiaries early this year and strictly implementing cost control measures to reduce operating costs, the abovementioned causes led to an overall decrease in orders which negatively affected the Group's textile business in terms of revenue and profitability in the first half of the year.

Besides taking a series of measures to control costs, the Group started feasibility studies on developing high-end products in the first half of the year. Meanwhile, the Group recruited some new production management personnel to enhance management quality. The Group further shifted its production focus from the PRC to Cambodia to capitalize on the advantage of its lower production costs and preferential tax treatment in the European market, so as to enhance the competitiveness of the Group's textile business.

In view of the current challenging market environment of the textile industry, the management further diversified business into various industries last year to reduce business risks of the Group, which included the Group's commencement to engage in petroleum trading in Southeast Asia last year. For the first half of the year, revenue from trading of petroleum amounted to HK$101,112,000. In addition, the Group acquired an asset management company in Hong Kong which is a licensed corporation authorized to carry out Type 9 regulated activity under the Securities and Futures Ordinance and formally commenced asset management business in the first half of the year. Meanwhile, the Group planned to carry out asset management business in the PRC through an indirectly-owned fund management company in the PRC which is a qualified foreign limited partner. For the first half of the year, revenue from provision of financial service was approximately HK$132,000. During the period under review, the Group was also preparing for the development of securities brokerage services so as to expand the scope of its financial services business. Furthermore, the Group completed the acquisition of 51% interests in a PRC company engaging in big data industry with the aim of developing big data business.

Prospects

Looking forward, the global economy is expected to be surrounded by the uncertainties of softening consumer sentiments. We remained cautiously optimistic on the outlook of the textile and garment industry. However, as necessity goods, the rigid demand for textile products will continue to exist. In order to address the severe business environment of the textile business, the Group intends to improve the performance of its textile business through strategically shifting the production focus further to its production plants in Cambodia to capitalize on the advantages of comparable lower labour cost, optimizing production procedures and upgrading the effectiveness and efficiency of the production facilities, strictly controlling costs, increasing diversity of products and securing more new customers. At the same time, the Group will actively consider introducing more high-caliber personnel or partners of the textile industry for further market development and enhancing performance of the textile business. Demand for middle and high-end textile products is expected to grow with the growing China domestic consumption. Furthermore, by combining expertise in production and efficiencies in production capability through full vertical integration, we planned to deliver a portfolio of products and services with unsurpassed quality to increase the sales of the Group.

The Group began entering into different business areas and diversified its business last year in order to reduce the business risks and increase the revenue. Petroleum is the main source of energy in the world, and petroleum trading is capable of providing the Group with different business scope and a more stable source of income. Currently, international oil prices and demand are relatively stable. It is expected that petroleum trading will become one of the major sources of income for the Group in the future as such business develops. On the other hand, given that Hong Kong is a metropolis for the financial industry, the Group has entered the asset management market through the acquisition of an asset management company. With the aim of providing more diversified and comprehensive financial services to attract customers and widen the source of income, the Group is preparing for commencing securities brokerage and lending business in the second half of the year. In addition, as business environment undergoes dramatic changes, the Group, though being a long-standing operator in traditional industries, also seeks to follow the tides and has formally entered the big data industry. The world is changing rapidly and we have entered into an era of big data. As a new hotspot of technology, a development trend of big data commercialization is formed which is showing explosive growth. The development momentum of big data is fast and strong and it has just taken two to three years for it to penetrate into various industries and sectors and become a key factor of production. It is a powerful tool that will bring about industrial upgrading and restructuring and new industrial landscape, and expected to have significant and profound impact on production and people's lives. After careful studies, the Group has decided to look for opportunities to utilize big data technology to develop diversified businesses which have good prospects. The Group is a leader of the textile industry with years of experience and business across the world. It is expected that big data technology will enhance the value of the Group's traditional business and enhance the level of operational control and precision marketing, improve operating efficiency, optimize financial structure and significantly improve profitability. Moreover, the Group also intends to enter into the big data sector of the financial industry, expand industrial resource network, accumulate cross-industrial business experience, capture new opportunities and gain competitive advantages to further improve the overall business performance of the Group.

FINANCIAL REVIEW

Textile Business

For the period ended 30th June, 2017, our textile business is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarn, the provision of dyeing services and knitting services, and the trading of cotton and yarns. Its major products include cotton yarns and knitted sweaters, such as cardigans and pullovers as well as socks and hosiery products.

Total revenue from textile business for the period ended 30th June, 2017 was approximately HK$105.0 million. Comparing with the corresponding period last year, the revenue drops apparently by around 55.0% for the period under review, decreasing from HK$233.2 million to approximately HK$105.0 million for the period under review. Production and sales of knitted sweaters remained as the principal operation in the textile business of the Group which accounted for 58.5% of total revenue from textile business.

With the sluggish overseas market demand, the increasing competition from the competitors in neighbouring countries and the cash flow issues faced by the Group, the orders received from our overseas customers apparently decreased substantially. The Group's turnover of the sweater business substantially decreased by approximately 33.6%, from approximately HK$92.5 million for the corresponding period last year to approximately HK$61.4 million for the reporting period.

Due to the restructuring of the operation and disposal of some of our PRC subsidiaries, the turnover from production and sale of dyed yarns dropped significantly during the period from approximately HK$102.2 million in corresponding period last year to HK$19.1 million during the period under review.

Due to the decreasing sales orders during the period under review as a result of the above, the factory utilization rate was far from the full capacity. On the other hand, the increase in cost components including the average cost of raw materials and average labour cost as a result of increased minimum wages in the PRC and Cambodia during the period under review further adversely affected the financial performance of the textile business. As a result, the textile business suffered a significant loss during the period under review.

Trading of Petroleum Business

The Group commenced the petroleum trading business during the second half of last year. During the period under review, the turnover of petroleum trading business reached HK$101.1 million. A total of approximately 27,000 tons of petroleum products were traded in China and in other Asia Pacific countries during the period.

Financial Services Business

During the period under review, the Group has commenced the asset management business through the acquisition of a Hong Kong company holding the license granted by the Securities and Futures Commission for carrying out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance. As the financial services business is in initial stage, the turnover contributed from financial services business during the period was approximately HK$132,000.

Other income and other gains and losses

During the period under review, the Group recorded a gain on disposal of subsidiaries of approximately HK$67.2 million. Other gains mainly comprised those income derived from the disposal of scrapped materials and interest income and other losses mainly included the loss on early redemption of bonds.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the period under review, as a result of drop in turnover of textile business, the Group's selling and distribution costs dropped by 48.1% to approximately HK$8.5 million, representing approximately 4.1% of the Group's turnover.

Administrative expenses

Administrative expenses increased by 8.3% to approximately HK$63.5 million during the period under review. It mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, depreciation and legal and professional fees. The increase mainly was due to the substantial increase in legal and professional fee as a result of litigation and increase in professional services on business during the period. It represented approximately 30.8% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which increased to approximately HK$21.8 million for the period under review. The increase was mainly due to the higher borrowing rate for some short term borrowings raised during the period under review.

Net loss margin

Except for the impairment loss recognised on available-for-sale investment of approximately HK$15.4 million and gain on disposal of the subsidiaries of approximately HK$67.2 million, a net loss of the Group was approximately HK$132.0 million.

Borrowings

As at 30th June, 2017, the Group had outstanding bank and other borrowings of approximately HK$482.8 million, in which approximately HK$21.7 million was classified as falling due more than one year and the remaining balance of approximately HK$461.1 million was classified as falling due within one year. The total bank and other borrowings decreased by approximately HK$128.5 million when comparing with the balance as at 31st December, 2016 as a result of repayment during the period.

In the second half of 2015, certain bankers have demanded the Group for immediate repayment of the aggregate amount of approximately HK$667.0 million. In March 2017, the Group finally entered into a debt restructuring deed for the then outstanding amount of HK$527 million of defaulted bank borrowings where the repayment of bank borrowings could be reduced to HK$380 million subject to certain terms and conditions. During the period under review, the Group had already repaid HK$90 million in accordance with the debt restructuring deed.

Liquidity and financial resources

As at 30th June, 2017, the Group's bank balances and cash have increased from approximately HK$108.0 million as at 31st December, 2016 to HK$133.8 million as at 30th June, 2017. The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings and equity financing. The Group will continue to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core or idle assets and implementing tighter control over costs, working capital and capital expenditure. The Group's bank balances and cash were mostly held in Hong Kong dollar and US dollar.

On 6th January, 2017, the Company entered into four subscription agreements (the "Subscriptions") with four subscribers (save and except Mr. Poon Sum, the ultimate beneficial owner of one of the subscribers, who has been appointed as the executive director and chairman of the board of directors of the Company on 19th April 2017, the other subscribers being independent third parties) respectively, pursuant to which those subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a maximum of 4,550,000,000 shares in total to the subscribers at the price of HK$0.08 per share with gross proceeds of approximately HK$364 million. The Subscriptions have been completed during the period under review and an aggregate of 4,550,000,000 shares have been issued and allotted to the subscribers under specific mandate granted to the Directors by the shareholders of the Company at the extraordinary general meeting held on 17th March, 2017. The net proceeds from the Subscriptions amounted to approximately HK$359 million.

Pledge of assets

Details of the Group's pledge of assets at 30th June 2017 are set out in Note 21 to the condensed consolidated interim financial information.

Commitments

Details of the Group's commitments at 30th June 2017 are set out in Note 20 to the condensed consolidated interim financial information.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account various factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the cash required for the Group's operation and repayment of borrowings in the second half of 2017, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2017, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to 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 Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in Shares

Name	Company/Name of associated corporation	Capacity	Numbers of Shares held	Percentage of shareholding
Poon Sum ("Mr. Poon")	The Company	Beneficial owner	3,608,000	0.07%
		Interest of spouse *(Note 1)*	4,000,000	0.07%
		Interest in controlled corporation *(Note 2)*	3,800,000,000	70.41%

Notes:

1. Mr. Poon was regarded as interested in all the Shares in which Ms. Wong Hui Hung, his wife, was interested by virtue of the SFO.

2. These Shares were registered in the name of Gold Train Investments Limited ("Gold Train"), the entire issued capital of which was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

Save as disclosed above, as at 30th June 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 30th June 2017, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name	Capacity	Numbers of Shares held	Percentage of shareholding
Gold Train	Beneficial owner *(Note 1)*	3,800,000,000	70.41%
Wong Hiu Hong ("Ms. Wong")	Beneficial owner	4,000,000	0.07%
	Interest of spouse *(Note 2)*	3,803,608,000	70.48%

Notes:

1. The entire issued capital of Gold Train was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

2. Ms. Wong was regarded as interested in all the Shares in which Mr. Poon, her husband, was interested by virtue of the SFO.

Save as disclosed above, as at 30th June 2017, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 23rd May 2017 (the "Scheme") which enables the Company to grant options to eligible persons as incentive or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 539,673,090 Shares, representing 10 per cent. of the Shares in issue as at the date of passing the resolutions approving the Scheme. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercisable period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; (ii) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 23rd May 2017. The Scheme will expire on 22nd May 2027.

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June 2017 nor outstanding as at 30th June 2017.

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

The Company had not redeemed any of its listed shares during the period under review. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the period under review.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for deviation from Code E.1.2. Code E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 23rd May 2017.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June 2017 (six months ended 30th June 2016: Nil) to the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the six months ended 30th June 2017.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30th June 2017. The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30th June 2017.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our Shareholders and Investors for their support and our customers for their patronage.

On behalf of the Board
Poon Sum
Chairman & Executive Director

31st August 2017