



GREEN INTERNATIONAL

Holdings Limited

格林國際控股有限公司

Interim Report 2017

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

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Corporate Information

DIRECTORS

Executive Directors

Dr. Yu Qigang (*Chairman*)
Mr. Zeng Xiangdi
(*Chief Executive Officer*)
Mr. Yang Wang Jian
Mr. Chen Hanhong
Ms. Eva Au

Non-Executive Director

Ms. Yu Jiaoli

Independent Non-Executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin
Ms. Sun Zhili

AUDIT COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili

REMUNERATION COMMITTEE

Mr. David Tsoi (*Chairman*)
Dr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin
Ms. Sun Zhili

NOMINATION COMMITTEE

Dr. Yu Qigang (*Chairman*)
Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin
Ms. Sun Zhili

COMPANY SECRETARY

Mr. Chan Chun Kau

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2208-09, 22/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Cheung & Choy

Corporate Information

AUDITOR

McMillan Woods SG CPA Limited

PRINCIPAL BANKERS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

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

WEBSITE

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

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	22,233	21,093
Direct costs and operating expenses		(4,955)	(5,316)
Gross profit		17,278	15,777
Other income and gains, net	5	348	4,082
Gain on disposal of a subsidiary		–	3,005
Selling expenses		(15,612)	(14,815)
Administrative expenses		(34,538)	(37,007)
Fair value change of derivative financial instruments			
– Early redemption option	16(c)&18(a)	(271)	(9,403)
Provision for impairment on call options		(11,040)	–
Operating loss	6	(43,835)	(38,361)
Finance costs, net	7	(14,041)	(7,230)
Loss before income tax		(57,876)	(45,591)
Income tax expense	8	(291)	(697)
Loss for the period		(58,167)	(46,288)
Loss for the period attributable to:			
Equity holders of the Company		(58,221)	(46,119)
Non-controlling interests		54	(169)
		(58,167)	(46,288)
Loss per share for loss for the period attributable to the equity holders of the Company			
– Basic and diluted (HK cents)	9	(2.95)	(2.34)
Dividend	10	–	–

The notes on pages 10 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(58,167)	(46,288)
Other comprehensive income/(expense), net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences		
– Exchange differences arising during the period	4,362	1,354
– Reclassification adjustments relating to foreign operations disposed of during the period	–	(240)
Total comprehensive expenses for the period	(53,805)	(45,174)
Total comprehensive expenses for the period attributable to:		
Equity holders of the Company	(56,416)	(44,882)
Non-controlling interests	2,611	(292)
	(53,805)	(45,174)

The notes on pages 10 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	33,078	30,927
Trademark user right and technical know-how	11	157,250	157,250
Other intangible assets		1,622	1,665
Derivative financial instruments			
– Put option	20	6,150	6,150
– Early redemption option	16(c)&18(a)	12,472	12,743
		210,572	208,735
Current assets			
Inventories		6,030	3,463
Promissory note receivables	13	154,218	154,218
Derivative financial instruments			
– Call options	13	–	11,040
Trade receivables	12	302	186
Loan receivables		24,318	26,068
Prepayments, deposits and other receivables		35,100	24,742
Tax recoverable		707	707
Cash and cash equivalents	14	19,538	28,521
		240,213	248,945
Total assets		450,785	457,680
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	19,725	19,725
Share premium		544,946	544,946
Other reserves		85,921	83,404
Accumulated losses		(490,499)	(432,278)
		160,093	215,797
Non-controlling interests		8,039	5,428
Total equity		168,132	221,225

The notes on pages 10 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Convertible bonds	16	24,725	64,921
Bonds payable	17	21,529	16,031
Loan from director	22(c)	48,920	–
Contingent consideration payables	18	40,973	38,771
Deferred tax liabilities		15,918	15,918
		152,065	135,641
Current liabilities			
Trade payables	19	6,710	6,558
Other payables, accruals and deposits received		38,674	38,054
Bonds payable	17	6,303	–
Convertible bonds	16	78,053	54,223
Tax payable		848	1,979
		130,588	100,814
Total liabilities		282,653	236,455
Total equity and liabilities		450,785	457,680
Net current assets		109,625	148,131
Total assets less current liabilities		320,197	356,866

The notes on pages 10 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Share-based equity reserve*	Convertible bonds – equity component			Exchange reserve*	Accumulated losses	Total	Non-controlling interests	Total equity
				reserve*	reserve*	reserve*					
				HK\$'000	HK\$'000	HK\$'000					
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
As at 1 January 2016	19,725	544,946	11,394	57,498	5,910	5,796	(301,527)	343,742	4,257	347,999	
Total comprehensive income/(expenses) for the period											
Loss for the period	-	-	-	-	-	-	(46,119)	(46,119)	(169)	(46,288)	
Other comprehensive income/(expenses) for the period	-	-	-	-	-	1,237	-	1,237	(123)	1,114	
	-	-	-	-	-	1,237	(46,119)	(44,882)	(292)	(45,174)	
Transaction with owners											
Issue of convertible bonds (Note 16(d))	-	-	-	1,312	-	-	-	1,312	-	1,312	
Issue of convertible bonds (Note 16(e))	-	-	-	1,225	-	-	-	1,225	-	1,225	
Fair value change of put option (Note 20)	-	-	-	-	(3,380)	-	-	(3,380)	-	(3,380)	
As at 30 June 2016	-	-	-	2,537	(3,380)	-	-	(843)	-	(843)	
As at 30 June 2016	19,725	544,946	11,394	60,035	2,530	7,033	(347,646)	298,017	3,965	301,982	
As at 1 January 2017	19,725	544,946	11,394	56,249	6,150	9,611	(432,278)	215,797	5,428	221,225	
Total comprehensive income/(expenses) for the period											
Loss for the period	-	-	-	-	-	-	(58,221)	(58,221)	54	(58,167)	
Other comprehensive income/(expenses) for the period	-	-	-	-	-	1,805	-	1,805	2,557	4,362	
	-	-	-	-	-	1,805	(58,221)	(56,416)	2,611	(53,805)	
Transaction with owners											
Issue of convertible bonds (Note 16(f))	-	-	-	712	-	-	-	712	-	712	
	-	-	-	712	-	-	-	712	-	712	
As at 30 June 2017	19,725	544,946	11,394	56,961	6,150	11,416	(490,499)	160,093	8,039	168,132	

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

The notes on pages 10 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash used in operating activities		(40,472)	(39,443)
Net cash used in investing activities		(3,055)	(27,720)
Net cash generated from financing activities		33,737	58,500
Net decrease in cash and cash equivalents		(9,790)	(8,663)
Cash and cash equivalents as at 1 January	14	24,514	53,129
Effects of exchange rate changes on balances denominated in foreign currencies		814	665
Cash and cash equivalents as at 30 June	14	15,538	45,131

SIGNIFICANT NON-CASH TRANSACTIONS

During the six months ended 30 June 2017 and 30 June 2016, the Group had the following significant non-cash activities which are not reflected in the condensed statement of cash flows:

- (a) issue of certain convertible bonds (Note 16(f)); and
- (b) redemption of convertible bond (Note 16(d)).

The notes on pages 10 to 53 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

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

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

During the period, the Company and its subsidiaries (the “Group”) was principally engaged in health and medical services, toys and equipment trading, beauty and wellness services, and the provision of integrated financial services comprising money-lending, securities brokerage and asset management.

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

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the board of Directors (the “Board”) on 31 August 2017.

These condensed consolidated interim financial statements have not been audited.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

The basis of preparation and accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of the new and revised HKFRSs. The Group has adopted new or revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2017. The adoption of the new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

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

The condensed consolidated interim financial statements have not been audited nor reviewed by the auditor of the Company, but have been reviewed by the audit committee of the Company.

The preparation of condensed consolidated interim financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group’s accounting policies.

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. There have been no changes in any risk management policies since the year end.

Fair value estimation on a recurring basis

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

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

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2017.

	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Derivative financial instruments				
– Put option	–	6,150	–	6,150
– Early redemption option	–	12,472	–	12,472
Contingent consideration payables	–	–	40,973	40,973

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2016.

	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
Derivative financial instruments				
– Put option	–	6,150	–	6,150
– Early redemption option	–	12,743	–	12,743
– Call option	–	11,040	–	11,040
Contingent consideration payables	–	–	38,771	38,771

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

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

- (a) the health and medical segment engages in the operation of clubhouse business;
- (b) the trading segment engages in the trading of toys, equipment and other materials;
- (c) the beauty and wellness segment engages in the provision of beauty and wellness related services; and
- (d) the financial segment engages in money-lending, securities brokerage and asset management business.

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

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Segment results are presented as operating profit or loss.

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

	Health and medical business <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Financial business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2017					
Hong Kong	-	-	-	40	40
The PRC	5,591	-	16,602	-	22,193
	5,591	-	16,602	40	22,233

	Health and medical business <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Financial business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2016					
The PRC	5,657	2,450	12,986	-	21,093

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for health and medical segment, trading segment, beauty and wellness segment and financial segment, respectively. There was no revenue from a customer contributing over 10% of total revenue of the Group for the six months ended 30 June 2017 and 30 June 2016.

Results by operating segments are as follows:

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Health and medical business	(11,115)	(10,479)
Trading business	(3)	50
Beauty and wellness business	493	79
Financial business	(2,230)	–
Total net operating loss by operating segments	(12,855)	(10,350)
Unallocated corporate expenses, net	(19,815)	(24,703)
Gain on disposal of a subsidiary	–	3,005
Gain on disposal of trade receivables	–	175
Gain on issuance of bonds payable	146	3,880
Provision for impairment on call options	(11,040)	–
Loss on disposal of other receivables	–	(965)
Fair value change of derivative financial instruments		
– Early redemption option	(271)	(9,403)
Finance costs, net	(14,041)	(7,230)
Loss before income tax	(57,876)	(45,591)
Income tax expense	(291)	(697)
Loss for the period	(58,167)	(46,288)

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Health and medical business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Financial business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
As at 30 June 2017					
Hong Kong	-	-	-	520	520
The PRC	-	-	186,311	-	186,311
	-	-	186,311	520	186,831
Derivative financial instruments					
– Put option					6,150
– Early redemption option					12,472
Unallocated corporate assets					5,119
					210,572

	Health and medical business HK\$'000 (Audited)	Trading business HK\$'000 (Audited)	Beauty and wellness business HK\$'000 (Audited)	Financial business HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
As at 31 December 2016					
Hong Kong	-	-	-	-	-
The PRC	-	-	183,592	-	183,592
	-	-	183,592	-	183,592
Derivative financial instruments					
– Put option					6,150
– Early redemption option					12,743
Unallocated corporate assets					6,250
					208,735

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

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Health and medical business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Financial business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2017					
Hong Kong	-	-	-	-	-
The PRC	-	-	9,508	-	9,508
	-	-	9,508	-	9,508
Unallocated corporate capital expenditures					-
					9,508

	Health and medical business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Financial business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2016					
Hong Kong	-	-	-	-	-
The PRC	-	270	972	-	1,242
	-	270	972	-	1,242
Unallocated corporate capital expenditures					3,251
					4,493

Capital expenditures are allocated based on their geographical locations.

Notes to the Condensed Consolidated Interim Financial Statements

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain	58	874
Sundry income	144	118
Gain on disposal of trade receivables	–	175
Gain on issuance of bonds payable (Note 17)	146	3,880
Loss on disposal of other receivables	–	(965)
	348	4,082

6. OPERATING LOSS

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment (Note 11)	3,084	2,380
Merchandise purchased and changes in inventories	–	3,641
Employee benefit expenses	18,615	19,523
Operating lease rental expenses	9,275	9,558

Notes to the Condensed Consolidated Interim Financial Statements

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest income		
– Bank deposits	(18)	(19)
– Loan receivables	(1,804)	(4,821)
Fair value change of contingent consideration payables (Note 18)	2,202	3,667
Interest expenses		
– Convertible bonds (Note 16)	9,510	7,509
– Bonds payable (Note 17)	3,908	894
– Loan (Note 22(b))	243	–
	14,041	7,230

8. INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) and 25% (six months ended 30 June 2016: 25%), respectively, on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current taxation		
– Hong Kong profits tax	–	–
– PRC Enterprise Income Tax	291	697
	291	697

Notes to the Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE

Basic

The calculation of basic loss per share is based on the consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$58,221,000 (six months ended 30 June 2016: loss of HK\$46,119,000) and on the weighted average number of 1,972,453,000 (six months ended 30 June 2016: 1,972,453,000) ordinary shares.

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Loss for the period attributable to the equity holders of the Company (HK\$'000)	(58,221)	(46,119)
Weighted average number of ordinary shares in issue (thousands)	1,972,453	1,972,453
Basic loss per share (HK cents)	(2.95)	(2.34)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise/conversion of all dilutive potential ordinary shares. The Company has 4 categories of dilutive potential ordinary shares: share options (Note 15), convertible bonds (Note 16) (excluding the mandatorily convertible bonds), convertible bonds issued for the acquisition of Tai Cheng International Limited in 2012 (the "Tai Cheng CB") (Note 18(b)) and convertible bonds issued (with reference to the profit guarantee) (Note 20) for the acquisition of Rainbow Star Global Limited in 2015 (the "Marsa CB").

Notes to the Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE *(Continued)*

Diluted *(Continued)*

For the share options, a calculation is done to determine the number of shares that could have been acquired fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the share options. The computation of diluted loss per share for the six months ended 30 June 2017 did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price per share.

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

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2017 and 2016 as there were no dilutive potential ordinary shares outstanding during these periods.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT AND TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Trademark user right and technical know-how <i>HK\$'000</i> (Unaudited)
Net book value		
As at 1 January 2016	25,148	222,222
Additions	4,493	–
Disposal of subsidiaries	(460)	–
Depreciation (<i>Note 6</i>)	(2,380)	–
Exchange realignment	(280)	–
	<hr/>	
As at 30 June 2016	26,521	222,222
Additions	8,643	–
Depreciation	(2,701)	–
Provision for impairment	(406)	(64,972)
Written off	(36)	–
Exchange realignment	(1,094)	–
	<hr/>	
As at 31 December 2016	30,927	157,250
Additions	4,823	–
Depreciation (<i>Note 6</i>)	(3,084)	–
Provision for impairment	(5)	–
Exchange realignment	417	–
	<hr/>	
As at 30 June 2017	33,078	157,250
	<hr/>	

As at 30 June 2017 and 31 December 2016, none of the property, plant and equipment were pledged for any facilities granted to the Group.

Notes to the Condensed Consolidated Interim Financial Statements

12. TRADE RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	52,281	52,165
Less: Provision for discount on past due balances	(51,979)	(51,979)
	302	186

The Group's trade receivables are generally with credit periods of 90 days (31 December 2016: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

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

The carrying amounts of trade receivables approximate their fair values. The ageing analysis of trade receivables, based on invoice dates, as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 – 30 days	22	31
31 – 60 days	15	6
61 – 90 days	–	5
91 – 180 days	155	4
Over 180 days	52,089	52,119
	52,281	52,165

Notes to the Condensed Consolidated Interim Financial Statements

12. TRADE RECEIVABLES *(Continued)*

Management assessed the credit quality of those trade receivables of approximately HK\$100,000 (31 December 2016: HK\$42,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

As at 30 June 2017, trade receivables of approximately HK\$52,244,000 (31 December 2016: HK\$52,123,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
91 – 180 days	155	4
Over 180 days	52,089	52,119
	52,244	52,123

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

Notes to the Condensed Consolidated Interim Financial Statements

13. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Winning Rose Promissory Note (Note (a))	81,548	81,548
Puregood Promissory Note (Note (b))	72,670	72,670
	154,218	154,218
Winning Rose Call Option (Note (a))	–	4,930
Puregood Call Option (Note (b))	–	6,110
	–	11,040

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

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

Notes to the Condensed Consolidated Interim Financial Statements

13. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

(Continued)

(a) *(Continued)*

The Winning Rose Promissory Note is denominated in Hong Kong dollars, interest-free and will mature on the first anniversary of the date of issue. The Winning Rose Promissory Note is secured by 40% of the issued share capital of Jasper Jade Corporation (“Jasper Jade”) in favour of Sino Front. Jasper Jade is wholly owned by Winning Rose and is planned to be engaged in the trading of female healthcare products in Hong Kong, the PRC, Taiwan and Southeast Asian countries. According to a preliminary valuation by an independent valuer, the face value of the Winning Rose Promissory Note is equivalent to the fair value of approximately 35% of the issued share capital of Jasper Jade. Referring to a valuation performed by an independent valuer, the fair value of Winning Rose Promissory Note approximates to HK\$86,018,000. Management of the Group considered there was no objective evidence that an impairment loss occurred on the Winning Rose Promissory Note. In this respect, the management of the Group considered that provision for impairment is not necessary.

Under the Winning Rose Call Option, Sino Front was granted a right to acquire the shares of Jasper Jade from Winning Rose with a fair value equivalent to the face value of the Winning Rose Promissory Note (i.e. HK\$86,018,492) based on the final valuation report to be issued by an independent valuer. The Winning Rose Call Option is exercisable during the period commencing on the date of the issuance of the final valuation report and expiring on the date falling 1 year from the date of the call option agreement. The Winning Rose Call Option lapsed on 29 April 2017. In addition, pursuant to the call option agreement, upon the exercise of the Winning Rose Call Option, Sino Front shall commit to invest in Jasper Jade (by way of shares subscription, shareholder loan or otherwise) with an amount of HK\$10,000,000 within 3 years from the exercise of the Winning Rose Call Option. This capital commitment no longer exists as at 30 June 2017 (see Note 21(a)). The fair value of the Winning Rose Call Option was initially recognised at the date of issuance at approximately HK\$22,653,000 by using the binomial tree pricing model. The fair value estimates were based on the exercisable value (i.e. the face value) of the Winning Rose Promissory Note of HK\$86,018,492, expected volatility of 67.89% and risk-free rate of 0.25%.

Notes to the Condensed Consolidated Interim Financial Statements

13. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

(Continued)

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

The Puregood Promissory Note is denominated in Hong Kong dollars, interest-free and will mature on the first anniversary of the date of issue. The Puregood Promissory Note is secured by 48% of the issued share capital of Gold Fountain Inc. (“Gold Fountain”) in favour of Green Capital. Gold Fountain is wholly owned by Puregood and is planned to be engaged in the provision of a trading platform of healthy household appliances. According to a preliminary valuation by an independent valuer, the face value of the Puregood Promissory Note is equivalent to the fair value of approximately 48% of the issued share capital of Gold Fountain. Referring to a valuation performed by an independent valuer, the fair value of Puregood Promissory Note approximates to HK\$79,599,000. Management of the Group considered there was no objective evidence that an impairment loss occurred on the Puregood Promissory Note. In this respect, the management of the Group considered that provision for impairment is not necessary.

Notes to the Condensed Consolidated Interim Financial Statements

13. PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

(Continued)

(b) *(Continued)*

Under the Puregood Call Option, Green Capital was granted a right to acquire the shares of Gold Fountain from Puregood with a fair value equivalent to the face value of the Puregood Promissory Note (i.e. HK\$79,598,533) based on the final valuation report to be issued by an independent valuer. The Puregood Call Option is exercisable during the period commencing on the date of the issuance of the final valuation report and expiring on the date falling 1 year from the date of the call option agreement. The Puregood Call Option lapsed on 30 June 2017. In addition, pursuant to the call option agreement, upon the exercise of the Puregood Call Option, Green Capital shall commit to invest in Gold Fountain (by way of shareholder loan) with an amount not more than HK\$8,000,000 within 3 years from the exercise of the Puregood Call Option by Green Capital (and, in respect of each shareholder loan made by Green Capital, Green Capital shall not demand for repayment of such shareholder loan within one year of such advancement). This capital commitment no longer exist as at 30 June 2017 (see Note 21(a)). The fair value of the Puregood Call Option was initially recognised at the date of issuance at approximately HK\$12,386,000, by using the binomial tree pricing model. The fair value estimates were based on the exercisable value (i.e. the face value) of the Puregood Promissory Note of HK\$79,598,533, expected volatility of 39.43% and risk-free rate of 0.29%.

Notes to the Condensed Consolidated Interim Financial Statements

14. CASH AND CASH EQUIVALENTS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Bank balances — trust and segregated accounts (Note (i))	4,000	4,007
Bank balances (general accounts) and cash (Note (ii))	15,538	24,514
	19,538	28,521

Notes:

- (i) An indirect wholly-owned subsidiary of the Company receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. The client's monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective clients (Note 19). However, the Group does not have a currently enforceable right to offset those payables with deposits placed.
- (ii) The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Cash and cash equivalents are denominated in the following currencies:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Hong Kong dollars	16,188	17,580
Renminbi	3,350	10,941
	19,538	28,521

Notes to the Condensed Consolidated Interim Financial Statements

15. SHARE CAPITAL

Authorised

	Number of shares	Nominal value <i>HK\$'000</i>
As at 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017, ordinary shares of HK\$0.01 each	4,000,000,000	40,000

Issued and fully paid

	Number of shares	Nominal value <i>HK\$'000</i>
As at 1 January 2016	1,972,452,606	19,725
As at 30 June 2016, 31 December 2016 and 30 June 2017	1,972,452,606	19,725

Notes:

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

15. SHARE CAPITAL (Continued)

Notes: (Continued)

- (ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 share options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the six months ended 30 June 2017.

The Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Share Option Scheme lapsed pursuant to its terms.

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

	2017		2016	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
As at 1 January	0.32	55,800,000	0.32	55,800,000
Lapsed	0.32	(21,000,000)	-	-
	0.32	34,800,000	0.32	55,800,000
As at 1 July			0.32	55,800,000
Exercised			-	-
As at 31 December			0.32	55,800,000

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS

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

	1st Tai Cheng CB	Zheyin CB	2nd Tai Cheng CB	2015 CB	1st Marsa CB	3rd Tai Cheng CB	1st 2016 CB	2nd 2016 CB	2nd Marsa CB	Total
	HK\$'000 (Unaudited) (Note (a))	HK\$'000 (Unaudited) (Note (f))	HK\$'000 (Unaudited) (Note (a))	HK\$'000 (Unaudited) (Note (b))	HK\$'000 (Unaudited) (Note (c))	HK\$'000 (Unaudited) (Note (a))	HK\$'000 (Unaudited) (Note (d))	HK\$'000 (Unaudited) (Note (e))	HK\$'000 (Unaudited) (Note (c))	HK\$'000 (Unaudited)
As at 1 January 2016	5,482	-	4,380	23,570	16,398	321	-	-	-	50,151
Issue of convertible bonds	-	-	-	-	-	-	40,000	12,000	26,295	78,295
Equity component on initial recognition	-	-	-	-	-	-	(1,312)	(1,225)	-	(2,537)
Interest expenses (Note 7)	388	-	321	1,639	2,390	25	2,017	248	481	7,509
As at 30 June 2016	5,870	-	4,701	25,209	18,788	346	40,705	11,023	26,776	133,418
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	-
Written back pursuant to profit guarantee	-	-	-	-	(5,209)	-	-	-	(19,215)	(24,424)
Interest expenses	293	-	345	1,752	2,520	26	2,309	609	2,296	10,150
As at 31 December 2016	6,163	-	5,046	26,961	16,099	372	43,014	11,632	9,857	119,144
Issue of convertible bonds	-	24,287	-	-	-	-	-	-	-	24,287
Equity component on initial recognition	-	-	-	-	-	-	-	-	-	-
Redemption of CB	(6,163)	-	-	-	-	-	(44,000)	-	-	(50,163)
Interest expenses (Note 7)	-	756	370	1,875	2,659	29	986	411	2,424	9,510
As at 30 June 2017	-	25,043	5,416	28,836	18,758	401	-	12,043	12,281	102,778
As at 31 December 2016, analysed by maturity date as:										
Within one year and included under current liabilities	6,163	-	5,046	-	-	-	43,014	-	-	54,223
Over one year and included under non-current liabilities	-	-	-	26,961	16,099	372	-	11,632	9,857	64,921
	6,163	-	5,046	26,961	16,099	372	43,014	11,632	9,857	119,144
As at 30 June 2017, analysed by maturity date as:										
Within one year and included under current liabilities	-	25,043	5,416	28,836	18,758	-	-	-	-	78,053
Over one year and included under non-current liabilities	-	-	-	-	-	401	-	12,043	12,281	24,725
	-	25,043	5,416	28,836	18,758	401	-	12,043	12,281	102,778

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

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

- (a) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited (“Tai Cheng”) (Note 18(b)), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in an aggregate principal amount of HK\$6,163,639 (the “1st Tai Cheng CB”) to Hong Kong Tai Shing Toys Trading Limited (“Tai Shing”). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and matured on 29 October 2016. The 1st Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at the initial conversion price of HK\$0.50 per share (subject to adjustment on dilutive corporate actions and as adjusted to HK\$0.43 on closing of an open offer on 19 August 2014 and to HK\$0.42 on closing of a convertible bond issue on 15 January 2016). The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum. On 15 March 2017, the Company and Tai Shing entered into a side letter to cancel the 1st Tai Cheng CB, in return of which the Company issued a 2% per annum promissory note to Tai Shing which will mature on 30 November 2017.

Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 18(b)), the Company issued the second tranche of the Tai Cheng CB on 13 October 2014 in an aggregate principal amount of HK\$5,628,138 (the “2nd Tai Cheng CB”) to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will mature on 13 October 2017. The 2nd Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.50 per share (subject to adjustment on dilutive corporate actions and as adjusted to HK\$0.43 on closing of an open offer on 19 August 2014, to HK\$0.42 on closing of a convertible bond issue on 15 January 2016 and to HK\$0.41 on closing of another convertible bond issue on 3 March 2017). The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 18(b)), the Company issued the third tranche of the Tai Cheng CB on 8 September 2015 in an aggregate principal amount of HK\$477,241 (the “3rd Tai Cheng CB”) to Tai Shing. The 3rd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will mature on 8 September 2018. The 3rd Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.50 per share (subject to adjustment on dilutive corporate actions and as adjusted to HK\$0.43 on closing of an open offer on 19 August 2014, to HK\$0.42 on closing of a convertible bond issue on 15 January 2016 and to HK\$0.41 on closing of another convertible bond issue on 3 March 2017). The effective interest rate of the 3rd Tai Cheng CB was 18.15% per annum.

(b) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited (“ASA Securities”), pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK\$83,800,000 which are convertible into 253,939,393 shares of the Company at the initial conversion price of HK\$0.33 per share (subject to adjustments). The market closing price of the Company’s shares on 9 February 2015 was HK\$0.355 per share.

The placing was completed on 6 March 2015, where convertible bonds in an aggregate principal amount of HK\$29,000,000 (the “2015 CB”) was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The net proceeds derived from the issue of 2015 CB were HK\$28,048,000. The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 3% per annum (which is payable on maturity) and will mature on the date falling on the third anniversary of the issue of the convertible bonds, i.e. 6 March 2018. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.33 per share (subject to adjustments). The effective interest rate of the 2015 CB was 14.39% per annum.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

- (c) Pursuant to and subject to the terms and conditions of the sale and purchase agreement relating to the acquisition of Rainbow Star Global Limited (“Rainbow Star”) (Note 20), the Company issued convertible bonds on 20 May 2015 in an aggregate principal amount of HK\$54,250,000 (the “1st Marsa CB”) to Mr. Chung Sum Sang and Ms. Eva Au (collectively, “Rainbow Star Vendors”) as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured and will (subject to satisfaction of the profit guarantee) mature on 20 May 2018. Subject to satisfaction of the profit guarantee, the 1st Marsa CB was interest-free during the first year of issue and bear interest at 2% per annum from the first anniversary of issue onwards until maturity. Subject to satisfaction of the profit guarantee, interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). Subject to satisfaction of the profit guarantee, the 1st Marsa CB is convertible into the shares of the Company during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (Note 20), to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).

Pursuant to and subject to the terms and conditions of the sale and purchase agreement relating to the acquisition of Rainbow Star (Note 20), the Company also issued convertible bonds on 20 May 2016 in an aggregate principal amount of HK\$54,250,000 (the “2nd Marsa CB”) to Rainbow Star Vendors as partial satisfaction of the consideration pursuant to the sale and purchase agreement of Rainbow Star (Note 20). All of the terms and conditions of the 2nd Marsa CB are same as the 1st Marsa CB, with the exception that the 2nd Marsa CB will (subject to satisfaction of the profit guarantee) mature on 20 May 2019.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

(c) *(Continued)*

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

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

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 1st Marsa CB were initially recognised at the date of acquisition at approximately HK\$22,847,000 and HK\$20,200,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 89.55% and risk-free rate of 0.70%. As at 30 June 2017, the equity component amounting to approximately HK\$7,562,000 (31 December 2016: HK\$7,562,000) is included in equity within other reserves, and as at 30 June 2017, the early redemption option was subsequently measured at fair value of approximately HK\$804 (31 December 2016: HK\$610,000).

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

(c) *(Continued)*

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 2nd Marsa CB were initially recognised at the date of acquisition at approximately HK\$16,506,000 and HK\$7,944,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 83.26% and risk-free rate of 0.83%. As at 30 June 2017, the equity component amounting to approximately HK\$5,934,000 (31 December 2016: HK\$5,934,000) is included in equity within other reserves, and the early redemption option was subsequently measured as at 30 June 2017 at fair value of approximately HK\$270,299 (31 December 2016: HK\$1,584,000).

Under the terms and conditions of the Marsa CB (of which 1st Marsa CB and the 2nd Marsa CB form parts), the audited consolidated net profit after tax of Shenzhen Marsa Guer Chain Enterprise Ltd. (“Shenzhen Marsa”, an indirect 70% owned subsidiary of Rainbow Star) shall be not less than RMB 20,000,000 for the three years ended 31 December 2015, 2016 and 2017, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion. Shenzhen Marsa did not meet the profit guarantee for both 2015 and 2016 and accordingly, principal amounts of HK\$33,900,000 and HK\$37,311,555 are liable to be redeemed and cancelled by the Company in respect of the 2015 and 2016 profit guarantees, respectively. The Company is currently seeking legal and financial advice to protect its legal right and interest. Please see further details in Note 20 below.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

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

The subscription was completed on 15 January 2016, raising net proceeds of HK\$40,000,000. The 1st 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and matured on the date falling on the first anniversary of the issue of the convertible bonds, i.e. 15 January 2017. Interest will be payable on the maturity date if the 1st 2016 CB is neither converted nor redeemed prior to the maturity date. The 1st 2016 CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.20 per share (subject to adjustments). The effective interest rate of the 1st 2016 CB was 11.65% per annum.

On 16 January 2017, the Company and Mr. Yang entered into the amendment deed to extend the maturity date from 15 January 2017 to 15 April 2017. On 14 April 2017, the Company redeemed the 1st 2016 CB.

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

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

(e) *(Continued)*

The subscription was completed on 15 April 2016, raising net proceeds of HK\$12,000,000. The 2nd 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will mature on the date falling on the third anniversary of the issue of the convertible bonds, i.e. 15 April 2019. Interest will be payable on the maturity date if the 2nd 2016 CB is neither converted nor redeemed prior to the maturity date. The 2nd 2016 CB is convertible into the shares of the Company at the holder's option during the period commencing from the first anniversary of the issue date (i.e. 15 April 2017) to the maturity date at an initial conversion price of HK\$0.30 per share (subject to adjustments). The effective interest rate of the 2nd 2016 CB was 11.36% per annum.

- (f) On 13 February 2017, the Company entered into a subscription agreement with 浙銀天勤（深圳）投資有限公司 (Zheyin Tianqin (Shenzhen) Investment Limited) ("Zheyin Tianqin") in relation to the issue of convertible bonds in an aggregate principal amount of HK\$25,000,000 ("Zheyin CB"). The subscription was completed on 3 March 2017. The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 8% per annum and will mature on the date falling on the first anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the convertible bonds are neither converted nor redeemed prior to the maturity date.

The convertible bonds are convertible into shares of the Company at the holder's option after the first anniversary of the date of issue of the bond at an initial conversion price of HK\$0.20 per share (subject to adjustments).

As at 30 June 2017, the equity component amounting to approximately HK\$712,872 is included in equity within other reserves, and the liability component was subsequently measured as at 30 June 2017 at fair value of approximately HK\$24,287,128.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

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

17. BONDS PAYABLE

As at 30 June 2017, there were outstanding bonds with an aggregate principal amount of HK\$28,000,000. Details of the bonds outstanding are as follows:

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

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

Notes to the Condensed Consolidated Interim Financial Statements

17. BONDS PAYABLE *(Continued)*

(a) *(Continued)*

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

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

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

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum.

(c) On 24 March 2017, the Company entered into a placing agreement with Green Securities Limited (“Green Securities”), pursuant to which Green Securities agreed with the Company to place bonds up to a principal amount of HK\$4,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds.

The bond is denominated in Hong Kong dollars, unsecured, bears interest at 7.15% per annum and will be matured on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.55% to 13.24% per annum.

Notes to the Condensed Consolidated Interim Financial Statements

17. BONDS PAYABLE *(Continued)*

The fair value of each of the bonds at issuance was calculated using market interest rates for equivalent bonds. The difference between the fair value at issuance and the net proceeds received was recognised within other income and gains (Note 5) in the condensed consolidated statement of profit or loss.

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

	<i>HK\$'000</i>
As at 1 January 2016	9,705
Issue of bond	10,000
Direct issue costs	(3,500)
Gain on issue of bonds payable	(2,622)
Interest expense	2,448
	<hr/>
As at 31 December 2016	16,031
Issue of bond	10,163
Direct issue costs	(40)
Gain on issuance of bonds payable <i>(Note 5)</i>	(146)
Interest expense <i>(Note 7)</i>	1,824
	<hr/>
As at 30 June 2017	27,832
	<hr/>
Analysed by maturity date as within one year and included under current liabilities	6,303
Over one year and included under non-current liabilities	21,529
	<hr/>
	27,832
	<hr/>

Notes to the Condensed Consolidated Interim Financial Statements

18. CONTINGENT CONSIDERATION PAYABLES

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

- (a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 20), part of the consideration shall be settled by the issue of convertible bonds (the Marsa CB) in 3 tranches of principal amount of HK\$54,250,000 each on the date of acquisition and its first and second anniversaries. The Marsa CB is subject to the profit guarantee and is subject to the Company's right to redeem and cancel the bonds with reference to the profit guarantee. The Marsa CB not yet issued as at the reporting date is recognised as contingent consideration payable (the "Marsa CCP"). A liability component, an equity component and an early redemption option were classified at initial recognition of the Marsa CCP. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets. When the Marsa CB is issued, the liability components of the Marsa CCP are de-recognised from contingent consideration payables and recognised as convertible bonds on the date of issue.

The Company issued the 1st and 2nd Marsa CB in May 2015 and May 2016, respectively, each in an aggregate principal amount of HK\$54,250,000 (Note 16(c)). Under the terms and conditions of the Marsa CB (of which 1st Marsa CB and the 2nd Marsa CB form parts), the audited consolidated net profit after tax of Shenzhen Marsa shall be not less than RMB 20,000,000 for the three years ended 31 December 2015, 2016 and 2017, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion. Shenzhen Marsa did not meet the profit guarantee for both 2015 and 2016 and accordingly, principal amounts of HK\$33,900,000 and HK\$37,311,555 are liable to be redeemed and cancelled by the Company in respect of the 2015 and 2016 profit guarantees, respectively. The Company is currently seeking legal and financial advice to protect its legal right and interest. Please see further details in Note 20 below.

Notes to the Condensed Consolidated Interim Financial Statements

18. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

(a) *(Continued)*

The fair value of the liability component of the Marsa CCP was initially recognised at the date of acquisition at approximately HK\$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any).

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

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

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

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

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in an aggregate principal amount of HK\$6,163,639, HK\$5,628,138 and HK\$477,241, respectively (Note 16(a)).

Notes to the Condensed Consolidated Interim Financial Statements

18. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

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

	2017 HK\$'000 (Unaudited)	2016 <i>HK\$'000</i> <i>(Unaudited)</i>
As at 1 January	38,771	49,247
Fair value change <i>(Note 7)</i>	2,202	3,667
Issue of the 2nd Marsa CB <i>(Note 16(c))</i>	-	(26,295)
	40,973	26,619
As at 30 June		
As at 1 July		26,619
Fair value change		2,085
Reversal/(written back) pursuant to profit guarantee		10,067
As at 31 December		38,771

19. TRADE PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables <i>(Note)</i>	6,710	6,558

Note: As at 30 June 2017, the trade payables balance included client's money of approximately HK\$4,000,000 during the course of the provision of its to financial service business (cash clients) *(Note 14)*.

Notes to the Condensed Consolidated Interim Financial Statements

19. TRADE PAYABLES *(Continued)*

The ageing analysis of trade payables, based on invoice dates, as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 – 30 days	284	–
31 – 60 days	–	6
61 – 90 days	24	4,007
91 days – 1 year	4,000	288
Over 1 year	2,402	2,257
	<hr/> 6,710	<hr/> 6,558

The carrying amounts of trade payables approximate their fair values.

20. ACQUISITION OF SUBSIDIARIES

On 21 November 2014, the Company and Rainbow Star Vendors entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase the 100% equity interests of Rainbow Star at a maximum aggregate consideration of HK\$217,000,000, out of which HK\$54,250,000 was settled in cash and the remaining consideration of not more than HK\$162,750,000 was supposed to be settled by the Marsa CB. Please see Note 16(c) regarding the Marsa CB and Note 18(a) regarding the Marsa CCP.

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in Shenzhen Marsa. Shenzhen Marsa and its subsidiaries are principally engaged in the provision of beauty and wellness related services.

Notes to the Condensed Consolidated Interim Financial Statements

20. ACQUISITION OF SUBSIDIARIES *(Continued)*

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK\$20,000,000 were paid to Rainbow Star Vendors before 31 December 2014. The acquisition was completed on 20 May 2015, whereupon the remaining cash consideration of HK\$34,250,000 was paid and the 1st Marsa CB (Note 16(c)) was issued to Rainbow Star Vendors as partial satisfaction of the consideration. The remaining Marsa CB was supposed to be issued on the first anniversary of the date of acquisition (i.e. 20 May 2016 as regards the 2nd Marsa CB) and the second anniversary of the date of acquisition (i.e. 20 May 2017 as regards the 3rd Marsa CB).

The Marsa CB (and hence the Marsa CCP) is subject to the profit guarantee that the audited consolidated net profit after tax of Shenzhen Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall be not less than RMB20,000,000, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CB at nominal sum by reference to the shortfall proportion. Shenzhen Marsa did not meet the profit guarantee for both 2015 and 2016 and accordingly, principal amounts of HK\$33,900,000 and HK\$37,311,555 are liable to be redeemed and cancelled by the Company in respect of the 2015 and 2016 profit guarantees, respectively. The Company is currently seeking legal and financial advice to protect its legal right and interest.

In addition, if the audited consolidated net profit after tax of Shenzhen Marsa for all of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to require Rainbow Star Vendors to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration already paid to them. The fair value of this put option was initially recognised at the date of acquisition at approximately HK\$24,990,000 by using the binomial tree pricing model. The fair value estimates were based on assumed expected volatility of 31.606% and risk-free rate of 0.662%. The put option was recorded as a derivative financial instrument under non-current assets. This put option was subsequently value at 30 June 2017 of approximately HK\$6,150,000 (31 December 2016: HK\$6,150,000).

Notes to the Condensed Consolidated Interim Financial Statements

20. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	Fair values recognised <i>HK\$'000</i> (Unaudited)
Purchase consideration	
Cash deposits paid in 2014	20,000
Cash paid in 2015	34,250
Fair value of the 1st Marsa CB issued on completion of acquisition <i>(Note 16(c))</i>	
– Liability component	41,000
– Equity component	22,847
– Early redemption option	(20,200)
Fair value of the Marsa CCP <i>(Note 18(a))</i>	
– Liability component	69,033
– Equity component	53,061
– Early redemption option	(50,036)
Total purchase consideration	<u>169,955</u>
Identifiable assets acquired and liabilities assumed on acquisition date	
Property, plant and equipment	12,179
Trademark user right	222,222
Other intangible assets	279
Inventories	13,571
Trade receivables	8
Prepayments, deposits and other receivables	2,001
Cash and cash equivalents	4,712
Trade payables	(1,847)
Other payables, accruals and deposits received	(13,879)
Amount due to a director	(8,809)
Deferred tax liability	(22,222)
Total identifiable net assets acquired	<u>208,215</u>
Non-controlling interests	(1,342)
Gain on bargain purchase on acquisition of subsidiaries	<u>(36,918)</u>
	<u>169,955</u>

Notes to the Condensed Consolidated Interim Financial Statements

20. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

21. COMMITMENTS

(a) Capital commitments

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

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Authorised but not contracted for:		
– Property, plant and equipment	18,750	25,850
Contracted but not provided for:		
– Property, plant and equipment	–	–
	<hr/>	<hr/>
	18,750	25,850
	<hr/>	<hr/>

As detailed in the Company's announcements dated 29 April 2016 and 30 June 2016, the Group was at one stage committed in certain investments upon exercise of the Winning Rose Call Option and the Puregood Call Option. The Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April and 30 June 2017, respectively. Therefore, the capital commitments related to these call options no longer exist as at 30 June 2017.

Notes to the Condensed Consolidated Interim Financial Statements

21. COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Not later than 1 year	16,815	17,083
Later than 1 year but not later than 5 years	43,635	37,774
	60,450	54,857

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Wages, salaries and other short-term employee benefits	3,342	4,068
Pension costs — defined contribution plans	36	36
	3,378	4,104

Notes to the Condensed Consolidated Interim Financial Statements

22. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions

In addition to the transactions and the balances detailed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest expense to Dr. Yu <i>(Note 7)</i>	142	–
Rentals paid	54	50

(c) Balance with a related party

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loan from Dr. Yu	48,920	–

The Group has been provided loans at rates comparable to the average commercial rate of interest. The loan from Dr. Yu are unsecured.

Notes to the Condensed Consolidated Interim Financial Statements

23. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2017 and 31 December 2016.

24. SUBSEQUENT EVENTS

There were no events or transactions other than those disclosed in this report, if any, that would require recognition or disclosure in our consolidated financial statements for the six months ended 30 June 2017.

25. COMPARATIVE FIGURES

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

Management Discussions and Analysis

BUSINESS REVIEW AND PROSPECTS

The Group was principally engaged in health and medical services, toys and equipment trading, beauty and wellness services and the provision of integrated financial services comprising money-lending, securities brokerage and asset management.

Total revenue of approximately HK\$22,233,000 was recorded by the Group during the six months ended 30 June 2017, as compared to approximately HK\$21,093,000 for the same period in 2016.

Revenue arising from different business segments for the six months ended 30 June 2017 are as follows:

- (a) No revenue arose from the trading business segment (2016: HK\$2,450,000);
- (b) approximately HK\$5,591,000 from the health and medical business segment (2016: HK\$5,657,000);
- (c) approximately HK\$16,602,000 from the beauty and wellness business segment (2016: HK\$12,986,000); and
- (d) approximately HK\$40,000 from the financial services segment (2016: HK\$ Nil).

The increase in revenue in 2017 was mainly attributable to the increased revenue of the beauty and wellness business segment, which were partly offset by the decreased revenue from trading business segment. The Group's gross profit was approximately HK\$17,278,000 for the six months ended 30 June 2017, as compared to approximately HK\$15,777,000 for the six months ended 30 June 2016, representing an increase of approximately HK\$1,501,000. The gross-profit margin has increased from 74.8% in 2016 to 77.71% in 2017. This is mainly attributable to the higher gross profit margin from the beauty and wellness business segments, and the decrease in contribution from the trading business segment having a lower gross profit margin.

Management Discussions and Analysis

The loss attributable to the equity holders of the Company amounted to approximately HK\$58,221,000 for the six months ended 30 June 2017 as compared to approximately HK\$46,119,000 for the corresponding period in 2016. The loss was mainly due to the high level of administrative expenses and finance costs and the provision for impairment on call options. Excluding the effects of fair value losses of derivative financial instruments and finance costs, the Company's operating loss for the six months ended 30 June 2017 amounted to approximately HK\$32,524,000, which is close to the comparative figure for the same period in 2016 of approximately HK\$32,660,000.

No revenue was recognized by the trading segment for the six months ended 30 June 2017, as compared to HK\$2,450,000 for the period ended 30 June 2016. In view of the highly competitive and difficult environment of the toy trading and manufacturing industry, the management is seeking to make the best use out of the Group's established trading network in Hong Kong and China by exploring diversification of product range of the Group's trading division into other goods and products such as bulk commodities and raw materials.

Revenue from the health and medical business of approximately HK\$5,591,000 during the period was largely the same level as compared to approximately HK\$5,657,000 in the corresponding period in 2016. Operating loss of the segment increased from approximately HK\$10,479,000 in 2016 to approximately HK\$11,115,000 in 2017, principally due to increased labor costs and small-scale refurbishing causing disruptions to business during the period. Since June 2017, the management started to implement new cost-saving policies over the Group's clubhouse in Shenzhen, and is hopeful of operating break-even for the second half of 2017 excluding the planned refurbishing expenditure for our clubhouse premises. In addition, to leverage on the existing management experience in health and fitness, the management was in negotiation with business partners with relevant expertise and resources with the view to diversifying into the businesses of medical centers and hospitals in China.

Management Discussions and Analysis

The Group's beauty and wellness business in Shenzhen recorded an operating profit approximately HK\$493,000 for the six months ended 30 June 2017, as compared to approximately HK\$79,000 as recorded for the corresponding period in 2016. With the implementation of new group strategies under the leadership of new management in June 2017, the Company is formulating new business development plans of its beauty and wellness segment. Further details will be disclosed to shareholders as and when appropriate.

The Group operates its integrated financial services through three wholly-owned subsidiaries, namely (i) Green Capital (Hong Kong) Limited, a licensed money-lender in Hong Kong; (ii) Green Securities Limited, a licensed corporation licensed to carry out type-1 (dealing in securities) and type-4 (advising on securities) regulated activities in Hong Kong; and (iii) Green Asset Management Limited, a licensed corporation licensed to carry out type-9 (asset management) regulated activities in Hong Kong. Since June 2017, under the leadership of the new management, the Company is seeking to expand its financial services business by setting aside additional financial budget and rolling out more proactive marketing campaigns.

Under the leadership of the new management from June 2017 onwards, the Group has been proactively seeking to improve its financial position. On 14 June 2017, the Company entered into a loan agreement with Hong Kong Sheen Smile International Investment Limited, a company which is wholly-owned by Dr. Yu Qigang, pursuant to which the Company obtained a one-year loan in the principal amount of HK\$60 million (of which approximately HK\$49 million was drawn down as at 30 June 2017 and the entire sum was already drawn down as at the date of this report) at the interest rate of 4.8% per annum (with lender's right to demand earlier repayment). As the obtaining of loan from Dr. Yu (a connected person of the Company) is conducted on normal commercial terms or better and the loan is not secured by the Group's assets, the loan is fully exempt from all disclosure, annual review, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Management Discussions and Analysis

Pursuant to the transactions disclosed in the Company's announcements dated 29 April 2016 and 30 June 2016, the Group owns: (a) a promissory note ("Winning Rose Promissory Note") in the principal sum of HK\$86,018,492 issued by Winning Rose Capital Inc. ("Winning Rose") secured by Gold Fountain Share Charge and matured on 29 April 2017; and (b) a promissory note ("Puregood Promissory Note") in the principal sum of HK\$79,598,533 issued by Puregood Express Inc. ("Puregood") secured by Jasper Jade Share Charge and matured on 30 June 2017. In addition, the Group owned (i) a call option ("Winning Rose Call Option") to acquire (tentatively) 48% issued share capital ("Gold Fountain Charged Shares") of Gold Fountain Inc. (a wholly owned subsidiary of Winning Rose) at the exercise price which is equivalent to the face value of Winning Rose Promissory Note, which call option already expired on 29 April 2017, together with a share charge over the Gold Fountain Charged Shares; and (ii) a call option ("Puregood Call Option") to acquire (tentatively) 35% issued share capital ("Jasper Jade Charged Shares") of Jasper Jade Corporation (a wholly owned subsidiary of Winning Rose) at the exercise price which is equivalent to the face value of Puregood Promissory Note, which call option already expired on 30 June 2017, together with a share charge over 40% issued share capital of Jasper Jade Corporation (which includes the Jasper Jade Charged Shares). The Group was also at one stage committed in certain investments upon exercise of the Winning Rose Call Option and the Puregood Call Option. The Winning Rose Call Option and the Puregood Call Option already lapsed on 29 April and 30 June 2017, respectively.

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

Management Discussions and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group held cash and bank balances of approximately HK\$19,538,000 (31 December 2016: HK\$28,521,000). Net current assets amounted to approximately HK\$109,625,000 (31 December 2016: HK\$148,131,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 1.67 times (31 December 2016: 2.47 times), the decrease is due to more convertible bonds becoming due within one year and included under current liabilities. The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 65.9% (31 December 2016: 51.7%), the increase is principally due to increase in convertible bonds issued and loan from Director. As at 30 June 2017, the carrying amounts and the principal amounts of the outstanding borrowings (all of which are denominated in Hong Kong dollars and at fixed interest rates) of the Group amounted to approximately HK\$179,529,000 (31 December 2016: HK\$135,175,000) and approximately HK\$239,819,000 (31 December 2016: HK\$228,562,000), respectively.

DERIVATIVE FINANCIAL INSTRUMENTS – CALL OPTIONS

The Winning Rose Call Option lapsed on 29 April 2017 and the Puregood Call Option lapsed on 30 June 2017. Accordingly, as at 30 June 2017, neither of these two call options carry value in the books.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group currently does not have regular and established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts as at 30 June 2017.

Management Discussions and Analysis

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the six months ended 30 June 2017 and up to the date of this report.

(A) Share Capital

There were no changes in the share capital of the Company during the six months ended 30 June 2017 and up to the date of this report. The Company has 1,972,452,606 issued shares of HK\$0.01 each as at 30 June 2017 and the date of this report.

(B) Share Options

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK\$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and will expire on 10 May 2022, of which 34,800,000 share options were still outstanding as at 30 June 2017 and 23,000,000 share options were still outstanding the date of this report. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these share options were adjusted from HK\$0.37 per share to HK\$0.32 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014).

In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 options under the Share Options Scheme.

Management Discussions and Analysis

CAPITAL STRUCTURE *(Continued)*

(B) Share Options *(Continued)*

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

The Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Share Option Scheme lapsed pursuant to its terms.

(C) Convertible Bonds

There were outstanding convertible bonds with aggregate principal amounts of approximately HK\$180,605,000 which are convertible into 484,770,000 shares of the Company as at 30 June 2017 and the date of this report. On 13 February 2017, the Company entered into a subscription agreement with Zheyin Tianqin in relation to the issue of convertible bonds in an aggregate principal amount of HK\$25,000,000, which was completed on 3 March 2017. Further details of this bond issue is disclosed in Note 16(f). The gross and net proceeds from the issue of the convertible bonds were HK\$25,000,000 respectively and were intended to be used as working capital and for business development of the Group. As at 30 June 2017, the entire sum of HK\$25,000,000 was fully utilised for working capital of the Group.

CHARGES ON ASSETS

As at 30 June 2017, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

Management Discussions and Analysis

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital and operating lease commitments as at 30 June 2017 were detailed in Note 21 to the condensed consolidated interim financial statements.

The Group had no material contingent liabilities as at 30 June 2017.

EMPLOYEES AND REMUNERATION POLICY

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

As at 30 June 2017, the Group employed approximately 300 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

Other Information

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

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (b) which were entered in the register (the "Register") referred to in Section 352 of the SFO, or (c) which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Director	Capacity	Long positions in shares and underlying shares	Approximate percentage of total issued shares <i>(Note (v))</i>
Mr. Yang Wang Jian	Interest of controlled corporations	987,697,627 <i>(Note (i))</i>	50.07%
	Beneficial owner	9,000,000 <i>(Note (ii))</i>	0.46%
Dr. Yu Qigang <i>(Note (iii))</i>	Interest of controlled corporations	987,697,627	50.07%
Ms. Eva Au <i>(Note (iv))</i>	Beneficial owner	65,100,000	3.30%

Other Information

Notes:

- (i) According to disclosure of interest filings, these 987,697,627 shares in the Company (“Shares”) were beneficially owned by Gold Bless International Invest Limited (“Gold Bless”), a company whose issued shares were reportedly registered: (a) as to 65% in the name of Mr. Yang Wang Jian, who was also a director of Gold Bless; (b) as to 20% in the name of Dr. Yu Qigang; and (c) as to 15 % in the name of Winning Top Investments Limited, which was reportedly wholly owned by Dr. Yu Qigang. Mr. Yang Wang Jian was deemed to be interested in all the 987,697,627 Shares held by Gold Bless pursuant to Part XV of the SFO. These deemed interest duplicated with those of Dr. Yu Qigang as described in note (iii) below and those of Gold Bless. Under Part XV of the SFO, Gold Bless is regarded as an associated corporation of the Company.
- (ii) According to disclosure of interest filings, 9,000,000 underlying Shares may be issued upon full exercise of the share options granted to Mr. Yang Wang Jian on 11 May 2012, further details of which are set out in the section headed “Share Option Scheme”.
- (iii) According to disclosure of interest filings, Dr. Yu Qigang was deemed to be interested in all the 987,697,627 Shares held by Gold Bless pursuant to Part XV of the SFO. These deemed interest duplicated with those of Mr. Yang Wang Jian as described in note (i) above and those of Gold Bless.

Other Information

Notes: (Continued)

- (iv) According to disclosure of interest filings, 65,100,000 underlying Shares may be issued upon full exercise of the conversion rights attached to those principal sum of Marsa CB (further details of which are set out in Note 16(c) to the consolidated financial statements) which were registered in the name of Ms. Eva Au (a director of the Company). The repayment obligations of the Marsa CB are subject to the satisfaction of the profit guarantee in respect of the profit of Shenzhen Marsa for the years ended 31 December 2015, 2016 and 2017, respectively, under the Rainbow Star acquisition and the Company's right of redemption and cancellation of such principal sum of the Marsa CB by reference to the shortfall proportion if the profit guarantee is not satisfied. In addition, the conversion rights attached to the Marsa CB is only exercisable after the Company exercised its said right of redemption and cancellation by reference to the satisfaction and/or shortfall proportion of the said profit guarantee of Shenzhen Marsa. As stated in Note 16(c) to the consolidated financial statements, Shenzhen Marsa did not meet the profit guarantees for both 2015 and 2016 and certain principal amounts of Marsa CB are liable to be redeemed and cancelled by the Company.

- (v) The percentages are calculated based on the total number of 1,972,452,606 issued Shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a Director 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Name of substantial shareholder	Capacity in which the shares or underlying shares are held	Long positions in shares or underlying shares	Approximate percentage of total issued shares <i>(Note (v))</i>
Gold Bless <i>(Note (i))</i>	Beneficial owner	987,697,627	50.07%
Chung Sum Sang <i>(Note (ii))</i>	Beneficial owner	119,120,930	6.04%
Keytone Assets Investment Inc. <i>(Note (iii))</i>	Beneficial owner	116,279,070	5.90%
Cai Zhengshun <i>(Note (iii))</i>	Interest of controlled corporation	116,279,070	5.90%

Other Information

Name of substantial shareholder	Capacity in which the shares or underlying shares are held	Long positions in shares or underlying shares	Approximate percentage of total issued shares (Note (v))
浙銀天勤(深圳)有限公司 (Zheyin Tianqin (Shenzhen) Investment Limited) (“Zheyin Tianqin”) (Note (iv))	Beneficial owner	125,000,000	6.34%
Xia Yongqin (Note (iv))	Interest of controlled corporation	125,000,000	6.34%

Notes:

- (i) According to disclosure of interest filings, these 987,697,627 Shares were beneficially owned by Gold Bless, a company which is deemed to be a controlled corporation of Mr. Yang Wang Jian (a director of the Company) and Dr. Yu Qigang (a director of the Company). The interest in Shares of Gold Bless therefore duplicated with those of Mr. Yang Wang Jian and of Dr. Yu Qigang as described in notes (i) and (iii) of the section regarding directors’ interests in securities above. Under Part XV of the SFO, Gold Bless is regarded as an associated corporation of the Company.
- (ii) According to disclosure of interest filings, 119,120,930 underlying Shares may be issued upon full exercise of the conversion rights attached to those principal sum of Marsa CB (further details of which are set out in Note 16(c) to the consolidated financial statements) which were registered in the name of Chung Sum Sang. The repayment obligations of the Marsa CB are subject to the satisfaction of the profit guarantee in respect of the profit of Shenzhen Marsa for the years ended 31 December 2015, 2016 and 2017, respectively, under the Rainbow Star acquisition and the Company’s right of redemption and cancellation of such principal sum of the Marsa CB by reference to the shortfall proportion if the profit guarantee is not satisfied. In addition, the conversion rights attached to the Marsa CB is only exercisable after the Company exercised its said right of redemption and cancellation by reference to the satisfaction and/or shortfall proportion of the said profit guarantee of Shenzhen Marsa. As stated in Note 16(c) to the consolidated financial statements, Shenzhen Marsa did not meet the profit guarantees for both 2015 and 2016 and certain principal amounts of Marsa CB are liable to be redeemed and cancelled by the Company.

Other Information

- (iii) According to the disclosure of interest filings made by the relevant person, Keytone Assets Investment Inc. (which was purportedly owned as to 100% by Cai Zhengshun) was reported as the beneficial owner of 116,279,070 underlying Shares, which appeared to coincide with the number of underlying Shares reportedly disposed of by Chung Sum Sang on 29 August 2016 according to Chung Sum Sang's disclosure of interest filing. Chung Sum Sang's interest in underlying Shares were believed to relate to the conversion rights attached to those principal sum of Marsa CB (further details of which are set out in Note 16(c) to the consolidated financial statements) which were registered in the name of Chung Sum Sang. The repayment obligations of the Marsa CB are subject to the satisfaction of the profit guarantee in respect of the profit of Shenzhen Marsa for the years ended 31 December 2015, 2016 and 2017, respectively, under the Rainbow Star acquisition and the Company's right of redemption and cancellation of such principal sum of the Marsa CB by reference to the shortfall proportion if the profit guarantee is not satisfied. In addition, the conversion rights attached to the Marsa CB is only exercisable after the Company exercised its said right of redemption and cancellation by reference to the satisfaction and/or shortfall proportion of the said profit guarantee of Shenzhen Marsa. As stated in Note 16(c) to the consolidated financial statements, Shenzhen Marsa did not meet the profit guarantees for both 2015 and 2016 and certain principal amounts of Marsa CB are liable to be redeemed and cancelled by the Company.
- (iv) According to disclosure of interest filings, 125,000,000 underlying Shares may be issued upon full exercise of the conversion rights attached to the Zheyin CB (details of which are set out in Note 16(f) to the consolidated financial statements) registered in the name of Zheyin Tianqin, which was reportedly owned as to 100% by Xia Yongqin. Xia Yongqin is deemed to be interested in the same block of underlying Shares interested by Zheyin Tianqin pursuant to Part XV of the SFO.
- (v) The percentages are calculated based on the total number of 1,972,452,606 issued Shares as at 30 June 2017.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 30 June 2017, had any Voting Entitlements or interests or short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

Other Information

SHARE OPTION SCHEME

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the “Share Option Scheme”) to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK\$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and will expire on 10 May 2022, of which 34,800,000 share options were still outstanding as at 30 June 2017 and 23,000,000 share options were still outstanding as at the date of this report. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these share options were adjusted from HK\$0.37 per share to HK\$0.32 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014). In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme which was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,245,260 share options under the Share Option Scheme.

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

The Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Share Option Scheme lapsed pursuant to its terms.

SHARE OPTION SCHEME (Continued)

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

Name of grantee	Exercise price HK\$	Exercisable period	As at 1 January 2017	Granted	Exercised/ cancelled/ lapsed	As at 30 June 2017
Director						
Mr. Yang Wang Jian	0.32	11 May 2012 to 10 May 2022	9,000,000	-	-	9,000,000
Other persons	0.32	11 May 2012 to 10 May 2022	46,800,000	-	21,000,000	25,800,000
			<hr/> 55,800,000	-	21,000,000	<hr/> 34,800,000

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as disclosed in the paragraph headed “Capital Structure” in the “Management Discussion and Analysis” section above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.6.7 which were explained below, the Company has been in compliance with all code provisions set out in the CG Code for the six months ended 30 June 2017.

Other Information

CORPORATE GOVERNANCE *(Continued)*

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Three independent non-executive Directors did not attend the annual general meeting held on 30 June 2017 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive Directors, namely Mr. David Tsoi (Chairman), Mr. Wu Hong, Mr. Wang Chunlin and Ms. Sun Zhili. The Audit Committee has reviewed with the Board the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of unaudited condensed consolidated interim financial statements and results of the Group for the six months ended 30 June 2017 and the 2017 interim report. Following the management changes in June 2017, the Company has re-established the internal audit function and the Audit Committee has reviewed matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

During the six months ended 30 June 2017, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry, the incumbent Directors have confirmed their compliance with the required standard as set out in the Model Code during the six months ended 30 June 2017.

For and on behalf of
Green International Holdings Limited
Yu Qigang
Chairman

Hong Kong, 31 August 2017