



**GREEN INTERNATIONAL**

**Holdings Limited**

**格林國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*Stock Code: 2700*



**Interim Report**  
**2015**

Green International Holdings Limited  
Interim Report 2015

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# Corporate Information

## DIRECTORS

### Executive Directors

Dr. Yang Wang Jian (*Chairman*)  
Mr. Wong Man Keung  
(*Chief Executive Officer*)  
Ms. Yang Jun  
Mr. Chen Hanhong  
Ms. Yang Ya  
Dr. Yu Qigang  
Ms. Eva Au (appointed on 5 June 2015)

### Non-Executive Director

Ms. Yu Jiaoli

### Independent Non-Executive Directors

Mr. Yeung King Wah, Kenneth  
Mr. Wu Hong  
Mr. Low Chin Sin  
Mr. Ye Yunhan

## AUDIT COMMITTEE

Mr. Low Chin Sin (*Chairman*)  
Mr. Yeung King Wah, Kenneth  
Mr. Wu Hong

## REMUNERATION COMMITTEE

Mr. Low Chin Sin (*Chairman*)  
Mr. Yeung King Wah, Kenneth  
Dr. Yang Wang Jian

## NOMINATION COMMITTEE

Dr. Yang Wang Jian (*Chairman*)  
Mr. Low Chin Sin  
Mr. Yeung King Wah, Kenneth

## COMPANY SECRETARY

Mr. Chau Kin Cheung Alfred

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3007-08, 30/F  
West Tower, Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

DLA Piper Hong Kong  
17/F, Edinburgh Tower  
The Landmark  
15 Queen's Road  
Central  
Hong Kong

## **AUDITORS**

McMillan Woods SG CPA Limited  
Unit 1507, 15/F., South Tower  
Concordia Plaza  
1 Science Museum Road  
Tsimshatsui East  
Kowloon  
Hong Kong

## **PRINCIPAL BANKERS**

OCBC Wing Hang Bank Limited  
Hang Seng Bank 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 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	5	16,231	132,619
Direct costs and operating expenses		(7,556)	(124,771)
<b>Gross profit</b>		<b>8,675</b>	7,848
Other income and gains	6	762	672
Gain on bargain purchase on acquisition of subsidiaries	19(a)	36,918	–
Selling expenses		(15,164)	(11,493)
Administrative expenses		(25,639)	(22,071)
<b>Operating profit/(loss)</b>	7	<b>5,552</b>	(25,044)
Finance costs, net	8	(718)	(3,592)
<b>Profit/(Loss) before income tax</b>		<b>4,834</b>	(28,636)
Income tax expense	9	(15)	(836)
<b>Profit/(Loss) for the period</b>		<b>4,819</b>	(29,472)
<b>Profit/(Loss) for the period attributable to:</b>			
Equity holders of the Company		4,700	(29,890)
Non-controlling interests		119	418
		<b>4,819</b>	(29,472)
<b>Earnings/(Loss) per share for profit/(loss) for the period attributable to the equity holders of the Company (restated)</b>			
– Basic and diluted (HK cents)	10	0.24	(1.96)
<b>Dividend</b>	11	–	–

The notes on pages 10 to 57 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 2015

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit/(Loss) for the period</b>	<b>4,819</b>	(29,472)
<b>Other comprehensive (expense)/income, net of tax</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<b>(293)</b>	659
<b>Total comprehensive income/(expenses) for the period</b>	<b>4,526</b>	(28,813)
<b>Total comprehensive income/(expenses) for the period attributable to:</b>		
Equity holders of the Company	<b>4,411</b>	(29,167)
Non-controlling interests	<b>115</b>	354
	<b>4,526</b>	(28,813)

The notes on pages 10 to 57 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	25,909	15,772
Goodwill	12	160,877	160,877
Trademark user right	12	222,222	–
Other intangible assets		1,829	1,568
Derivative financial instruments			
– Put option	19(a)	24,990	–
– Early redemption option	16(f)&17(a)	70,236	–
Deposits paid for acquisition of subsidiaries	19(a)	–	20,000
		<b>506,063</b>	198,217
<b>Current assets</b>			
Inventories		14,014	696
Trade receivables	13	105,080	111,325
Loan receivables		35,000	19,000
Prepayments, deposits and other receivables		39,895	38,222
Tax recoverable		707	707
Cash and cash equivalents	14	91,683	131,205
		<b>286,379</b>	301,155
<b>Total assets</b>		<b>792,442</b>	499,372
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	15	19,725	18,537
Share premium		544,946	495,054
Other reserves		125,784	69,326
Accumulated losses		(123,487)	(128,187)
		<b>566,968</b>	454,730
<b>Non-controlling interests</b>		<b>8,333</b>	6,876
<b>Total equity</b>		<b>575,301</b>	461,606

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		<b>30 June 2015</b>	31 December 2014
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible bonds	16	<b>72,702</b>	8,584
Contingent consideration payables	17	<b>70,133</b>	273
Deferred tax liabilities		<b>22,222</b>	–
		<b>165,057</b>	8,857
<b>Current liabilities</b>			
Trade payables	18	<b>5,576</b>	3,632
Other payables, accruals and deposits received		<b>37,693</b>	25,266
Amount due to a director		<b>8,785</b>	–
Tax payable		<b>30</b>	11
		<b>52,084</b>	28,909
<b>Total liabilities</b>		<b>217,141</b>	37,766
<b>Total equity and liabilities</b>		<b>792,442</b>	499,372
<b>Net current assets</b>		<b>234,295</b>	272,246
<b>Total assets less current liabilities</b>		<b>740,358</b>	470,463

The notes on pages 10 to 57 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 2015

	Attributable to the equity holders of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based equity reserve* HK\$'000 (Unaudited)	Convertible bonds - equity component reserve* HK\$'000 (Unaudited)	Put option reserve* HK\$'000 (Unaudited)	Exchange reserve* HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2014	12,190	208,389	13,028	9,837	-	(236)	(32,453)	210,755	6,580	217,335
<b>Total comprehensive (expenses)/ income for the period</b>										
(Loss)/Profit for the period	-	-	-	-	-	-	(29,890)	(29,890)	418	(29,472)
Currency translation differences	-	-	-	-	-	723	-	723	(64)	659
	-	-	-	-	-	723	(29,890)	(29,167)	354	(28,813)
<b>Transaction with owners</b>										
Issue of shares on exercise of share options (Note 15(a)(ii))	10	564	(204)	-	-	-	370	-	-	370
Acquisition of subsidiaries (Note 19(b))	-	-	-	76,620	-	-	-	76,620	(31)	76,589
Issue of shares on conversion of convertible bonds (Note 15(a)(iii))	511	25,029	-	(25,540)	-	-	-	-	-	-
Issue of convertible bonds (Note 15(b)(c))	-	-	-	12,725	-	-	-	12,725	-	12,725
Issue of convertible bonds (Note 15(b)(c))	-	-	-	7,436	-	-	-	7,436	-	7,436
	521	25,593	(204)	71,241	-	-	-	97,151	(31)	97,120
At 30 June 2014	12,711	233,982	12,824	81,078	-	487	(62,343)	278,739	6,903	285,642
At 1 January 2015	<b>18,537</b>	<b>495,054</b>	<b>11,394</b>	<b>57,504</b>	<b>-</b>	<b>428</b>	<b>(128,187)</b>	<b>454,730</b>	<b>6,876</b>	<b>461,606</b>
<b>Total comprehensive income/ (expenses) for the period</b>										
Profit for the period	-	-	-	-	-	-	4,700	4,700	119	4,819
Currency translation differences	-	-	-	-	-	(289)	-	(289)	(4)	(293)
	-	-	-	-	-	(289)	4,700	4,411	115	4,526
<b>Transaction with owners</b>										
Issue of shares on conversion of convertible bonds (Note 15(a)(iii))	581	24,419	-	(25,000)	-	-	-	-	-	-
Issue of convertible bonds (Note 15(b)(c))	-	-	-	6,929	-	-	-	6,929	-	6,929
Issue of shares on conversion of convertible bonds (Note 15(a)(iii))	607	25,473	-	(26,080)	-	-	-	-	-	-
Acquisition of subsidiaries (Note 19(a))	-	-	-	75,908	-	-	-	75,908	1,342	77,250
Put option granted in relation to acquisition of subsidiaries (Note 19(a))	-	-	-	-	24,990	-	-	24,990	-	24,990
	1,188	49,892	-	31,757	24,990	-	-	107,827	1,342	109,169
At 30 June 2015	19,725	544,946	11,394	89,261	24,990	139	(123,487)	586,968	8,333	575,301

\* 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 57 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities		<b>(20,221)</b>	19,594
Net cash used in investing activities		<b>(47,038)</b>	(32,905)
Net cash generated from financing activities		<b>28,048</b>	10,274
Net decrease in cash and cash equivalents		<b>(39,211)</b>	(3,037)
Cash and cash equivalents at 1 January		<b>131,205</b>	80,486
Effects of exchange rate changes on balances denominated in foreign currencies		<b>(311)</b>	748
Cash and cash equivalents at 30 June	14	<b>91,683</b>	78,197

The notes on pages 10 to 57 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.

Following the acquisition of the beauty and wellness business in May 2015 (*Note 19(a)*), the Company and its subsidiaries (the “Group”) was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the period.

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

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the board of Directors (the “Board”) on 28 August 2015.

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 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

### 2.1 Basis of preparation

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

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

Except as described in Note 2.2 and adoption of new and revised HKFRSs which are effective to the Group for accounting periods beginning on or after 1 January 2015, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements. The adoption of the new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

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

# Notes to the Condensed Consolidated Interim Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

### 2.2 Accounting policies for the beauty and wellness business

Revenue from the beauty and wellness business is recognised when the services have been provided to the customers. Prepayments from customers in respect of the membership schemes which are considered to be unearned at the reporting date are classified as receipts in advance and recognised within other payables, accruals and deposits received in the condensed consolidated statement of financial position.

Save as the above mentioned revenue recognition policy, all other significant accounting policies of the beauty and wellness business are consistent with those of the annual financial statements for the year ended 31 December 2014.

## 3. ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014.

# Notes to the Condensed Consolidated Interim Financial Statements

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014. There have been no changes in any risk management policies since the year end.

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

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2015.

	Level 1 <i>HK\$'000</i> (Unaudited)	Level 2 <i>HK\$'000</i> (Unaudited)	Level 3 <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Derivative financial instruments				
– Put option	–	24,990	–	24,990
– Early redemption option	–	70,236	–	70,236
Contingent consideration payables	–	–	70,133	70,133

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2014.

	Level 1 <i>HK\$'000</i> (Audited)	Level 2 <i>HK\$'000</i> (Audited)	Level 3 <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Contingent consideration payables	–	–	273	273

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 put option and the early redemption option is the binomial tree pricing model and the partial differential equation method, respectively.

As one or more of 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.

# Notes to the Condensed Consolidated Interim Financial Statements

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

The Group has no assets that are measured at fair value as at 31 December 2014.

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

## 5. REVENUE AND SEGMENT INFORMATION

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

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

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

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

Segment results are presented as operating profit or loss.



# Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

	Toys business <i>HK\$'000</i> (Unaudited)	Clubhouse business <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
<b>Six months ended 30 June 2014</b>				
Hong Kong	1,242	-	-	1,242
The PRC	2,326	8,461	-	10,787
Europe	46,737	-	-	46,737
Japan	70,003	-	-	70,003
South America	647	-	-	647
North America	932	-	-	932
Australia	2,271	-	-	2,271
	<b>124,158</b>	<b>8,461</b>	<b>-</b>	<b>132,619</b>

# Notes to the Condensed Consolidated Interim Financial Statements

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

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for toys business segment and clubhouse/beauty and wellness segment, respectively. During the six months ended 30 June 2015, revenue of approximately HK\$3,099,000 (six months ended 30 June 2014: HK\$109,755,000) was derived from 1 major customer (six months ended 30 June 2014: 2 customers) who individually accounts for more than 10% of the Group's total revenue.

Results by operating segments are as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)
Toys business	<b>(1,711)</b>	(4,003)
Clubhouse business	<b>(14,857)</b>	(10,826)
Beauty and wellness business	<b>1,151</b>	–
Total net operating loss		
by operating segments	<b>(15,417)</b>	(14,829)
Unallocated corporate expenses, net	<b>(15,949)</b>	(10,215)
Gain on bargain purchase on acquisition of subsidiaries	<b>36,918</b>	–
Finance costs, net	<b>(718)</b>	(3,592)
Profit/(Loss) before income tax	<b>4,834</b>	(28,636)
Income tax expense	<b>(15)</b>	(836)
Profit/(Loss) for the period	<b>4,819</b>	(29,472)

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Toys business HK\$'000 (Unaudited)	Clubhouse business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>At 30 June 2015</b>				
Hong Kong	84	-	-	84
The PRC	623	173,100	234,669	408,392
	<b>707</b>	<b>173,100</b>	<b>234,669</b>	<b>408,476</b>
Derivative financial instruments				
– Put option				24,990
– Early redemption option				70,236
Unallocated corporate assets				2,361
				<b>506,063</b>
	Toys business HK\$'000 (Audited)	Clubhouse business HK\$'000 (Audited)	Beauty and wellness business HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
<b>At 31 December 2014</b>				
Hong Kong	61	-	20,000	20,061
The PRC	642	174,874	-	175,516
	<b>703</b>	<b>174,874</b>	<b>20,000</b>	<b>195,577</b>
Unallocated corporate assets				2,640
				<b>198,217</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Toys business HK\$'000 (Unaudited)	Clubhouse business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Six months ended 30 June 2014</b>				
Hong Kong	12	-	-	12
The PRC	7,983	49	-	8,032
	<b>7,995</b>	<b>49</b>	<b>-</b>	<b>8,044</b>
Unallocated corporate capital expenditures				<b>25,805</b>
				<b>33,849</b>

Capital expenditures are allocated based on their geographical locations.

# Notes to the Condensed Consolidated Interim Financial Statements

## 6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Exchange gain	276	541
Sundry income	486	131
	<b>762</b>	<b>672</b>

## 7. OPERATING PROFIT/LOSS

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment ( <i>Note 12</i> )	3,640	2,972
Merchandise purchased and changes in inventories	6,230	123,517
Employee benefit expenses	14,337	9,816
Operating lease rental expenses	6,137	5,215

# Notes to the Condensed Consolidated Interim Financial Statements

## 8. FINANCE COSTS, NET

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest income		
– Bank deposits	(86)	(38)
– Loan receivables	(2,022)	–
Fair value change of contingent consideration payables ( <i>Note 17</i> )	827	528
Interest expenses		
– Amount due to controlling shareholder	–	444
– Convertible bonds ( <i>Note 16</i> )	1,999	2,658
	<b>718</b>	<b>3,592</b>

## 9. INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) and 25% (six months ended 30 June 2014: 25%), respectively, on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

# Notes to the Condensed Consolidated Interim Financial Statements

## 9. INCOME TAX EXPENSE (Continued)

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

	<b>Six months ended 30 June</b>	
	<b>2015</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)
Current taxation		
– Hong Kong profits tax	–	845
– PRC Enterprise Income Tax	<b>15</b>	1
	<b>15</b>	846
Write back of over-provision in respect of prior years		
– Hong Kong profits tax	–	(10)
	<b>15</b>	836

## 10. EARNINGS/LOSS PER SHARE

### Basic

The calculation of basic earnings/loss per share is based on the consolidated profit for the period attributable to the equity holders of the Company of approximately HK\$4,700,000 (six months ended 30 June 2014: loss of HK\$29,890,000) and on the weighted average number of 1,972,453,000 (six months ended 30 June 2014 (restated): 1,522,206,000) ordinary shares in issue during the period, after taking into consideration of the mandatorily convertible bonds issued on 30 January 2014 as partial satisfaction of the consideration for the acquisition of a clubhouse business (*Note 19(b)*) and the effect of an open offer completed in August 2014 (*Note 15(a)(iv)*) (for which an adjustment was made retrospectively on the weighted average number of ordinary shares in issue for the six months ended 30 June 2014).

# Notes to the Condensed Consolidated Interim Financial Statements

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

### Basic (Continued)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited) (Restated)
Profit/(Loss) for the period attributable to the equity holders of the Company (HK\$'000)	4,700	(29,890)
Weighted average number of ordinary shares in issue (thousands)	1,972,453	1,522,206
Basic earnings/(loss) per share (HK cents)	0.24	(1.96)

### Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding (after taking into consideration of the mandatorily convertible bonds as mentioned above) to assume exercise/conversion of all dilutive potential ordinary shares (excluding shares issuable upon the conversion of the mandatorily convertible bonds as mentioned above). The Company has 4 categories of dilutive potential ordinary shares: share options (Note 15(b)), convertible bonds (Note 16) (excluding the mandatorily convertible bonds), convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the "Tai Cheng CB") (Note 17(b)) and convertible bonds issuable for the acquisition of Rainbow Star Global Limited in the current period (the "Marsa CB") (Note 17(a)).

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



# Notes to the Condensed Consolidated Interim Financial Statements

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

### Diluted (Continued)

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

The computation of diluted loss per share for the six months ended 30 June 2014 did not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

The computation of diluted earnings/loss per share for the six months ended 30 June 2015 and 30 June 2014 did not assume the conversion of the Company's outstanding convertible bonds (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa CB since their conversion would result in an increase in earnings per share/a decrease in loss per share.

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

# Notes to the Condensed Consolidated Interim Financial Statements

## 11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND TRADEMARK USER RIGHT

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Goodwill <i>HK\$'000</i> (Unaudited)	Trademark user right <i>HK\$'000</i> (Unaudited)
<b>Net book value</b>			
<b>At 1 January 2014</b>	19,574	29,759	–
Additions	8,739	–	–
Acquisition of subsidiaries <i>(Note 19(b))</i>	18,436	160,877	–
Depreciation <i>(Note 7)</i>	(2,972)	–	–
Exchange realignment	(471)	–	–
<b>At 30 June 2014</b>	43,306	190,636	–
Additions	1,736	–	–
Depreciation	(3,948)	–	–
Acquisition of subsidiaries	431	–	–
Disposal of a subsidiary	(25,811)	–	–
Provision for impairment	–	(29,759)	–
Exchange realignment	58	–	–
<b>At 31 December 2014</b>	<b>15,772</b>	<b>160,877</b>	–
Additions	<b>1,586</b>	–	–
Acquisition of subsidiaries <i>(Note 19(a))</i>	<b>12,179</b>	–	<b>222,222</b>
Depreciation <i>(Note 7)</i>	<b>(3,640)</b>	–	–
Exchange realignment	<b>12</b>	–	–
<b>At 30 June 2015</b>	<b>25,909</b>	<b>160,877</b>	<b>222,222</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND TRADEMARK USER RIGHT *(Continued)*

The Directors have performed an impairment review of the carrying amount of goodwill as at 31 December 2014 and have concluded that an impairment charge of approximately HK\$29,759,000 arose in a cash generating unit from the toys business segment, resulting in the carrying amount of the related goodwill being fully written off.

As at 30 June 2015, the Directors determined that there was no event that indicated that the carrying amount of each cash generating unit may not be recoverable. As a result, no impairment is recognised.

As at 30 June 2015 and 31 December 2014, none of the property, plant and equipment were pledged for any facilities granted to the Group.

## 13. TRADE RECEIVABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Trade receivables	<b>157,059</b>	163,304
Less: Provision for discount on past due balances	<b>(51,979)</b>	(51,979)
	<b>105,080</b>	111,325

The Group's trade receivables are generally with credit periods of 90 days (31 December 2014: 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.

# Notes to the Condensed Consolidated Interim Financial Statements

## 13. TRADE RECEIVABLES *(Continued)*

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 2015 and 31 December 2014 were as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
0 – 30 days	<b>741</b>	2,772
31 – 60 days	<b>708</b>	44
61 – 90 days	<b>822</b>	37
91 – 180 days	<b>982</b>	2,626
Over 180 days	<b>153,806</b>	157,825
	<b>157,059</b>	163,304

Management assessed the credit quality of those trade receivables of approximately HK\$2,271,000 (31 December 2014: HK\$2,853,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

# Notes to the Condensed Consolidated Interim Financial Statements

## 13. TRADE RECEIVABLES *(Continued)*

As at 30 June 2015, trade receivables of approximately HK\$154,788,000 (31 December 2014: HK\$160,451,000) were past due but not impaired. These relate to customers for whom the Directors are prudently optimistic to have the outstanding balances collected in the future. The ageing analysis of these trade receivables is as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
91 – 180 days	<b>982</b>	2,626
Over 180 days	<b>153,806</b>	157,825
	<b>154,788</b>	160,451

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.

## 14. CASH AND CASH EQUIVALENTS

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Cash at bank and on hand	<b>91,683</b>	131,205

# Notes to the Condensed Consolidated Interim Financial Statements

## 14. CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Hong Kong dollars	<b>53,107</b>	91,869
Renminbi	<b>36,003</b>	36,799
US dollars	<b>1,779</b>	414
Euro	<b>794</b>	2,123
	<b>91,683</b>	131,205

## 15. SHARE CAPITAL

### Authorised

	<b>Number of shares</b>	<b>Nominal value HK\$'000</b>
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015, ordinary shares of HK\$0.01 each	<b>4,000,000,000</b>	<b>40,000</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. SHARE CAPITAL (Continued)

### Issued and fully paid

	Number of shares	Nominal value HK\$'000
At 1 January 2014	1,218,983,724	12,190
Issue of shares upon exercise of share options (Note (a)(i))	1,000,000	10
Issue of shares upon conversion of convertible bonds (Note (a)(ii))	51,080,000	511
At 30 June 2014	1,271,063,724	12,711
Issue of shares upon conversion of convertible bonds (Note (a)(iii))	60,000,000	600
Issue of shares upon completion of an open offer (Note (a)(iv))	399,319,117	3,993
Issue of shares upon exercise of share options (Note (a)(v))	7,000,000	70
Issue of shares upon conversion of convertible bonds (Note (a)(vi))	116,279,069	1,163
At 31 December 2014	<b>1,853,661,910</b>	<b>18,537</b>
Issue of shares upon conversion of convertible bonds (Note (a)(vii))	<b>58,139,534</b>	<b>581</b>
Issue of shares upon conversion of convertible bonds (Note (a)(viii))	<b>60,651,162</b>	<b>607</b>
At 30 June 2015	<b>1,972,452,606</b>	<b>19,725</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. SHARE CAPITAL *(Continued)*

Notes:

### (a) Issue of new shares

- (i) On 16 January 2014, 1,000,000 outstanding share options were exercised at an exercise price of HK\$0.37 per share and, accordingly, the Company allotted and issued a total of 1,000,000 shares to the grantee. The proceeds of HK\$370,000 was used as working capital of the Group.
- (ii) On 18 February 2014, certain outstanding convertible bonds with an aggregate principal amount of HK\$25,540,000 were converted into the shares of the Company at a conversion price of HK\$0.50 per share and, accordingly, the Company allotted and issued a total of 51,080,000 shares to the convertible bond holders (*Note 16(b)*).
- (iii) On 18 July 2014, certain outstanding convertible bonds with an aggregate principal amount of HK\$30,000,000 were converted into the shares of the Company at a conversion price of HK\$0.50 per share and, accordingly, the Company allotted and issued a total of 60,000,000 shares to the convertible bond holders (*Note 16(c)*).
- (iv) On 19 August 2014, upon the completion of an open offer on the basis of 3 offer shares for every 10 shares, 399,319,117 shares of the Company were issued at a subscription price of HK\$0.45 per share to the shareholders of the Company. The net proceeds was approximately HK\$178,007,000 and was used for potential acquisitions and investments and as working capital of the Group.
- (v) On 29 August 2014, 7,000,000 outstanding share options were exercised at an exercise price of HK\$0.32 per share (as adjusted to reflect the open offer as detailed in note (iv) above) and, accordingly, the Company allotted and issued a total of 7,000,000 shares to the grantee. The proceeds of HK\$2,240,000 was used as working capital of the Group.



# Notes to the Condensed Consolidated Interim Financial Statements

## 15. SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

### **(a) Issue of new shares** *(Continued)*

- (vi) On 30 December 2014, certain outstanding convertible bonds with an aggregate principal amount of HK\$50,000,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer as detailed in note (iv) above) per share and, accordingly, the Company allotted and issued a total of 116,279,069 shares to the convertible bond holders *(Note 16(c))*.
- (vii) On 30 January 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$25,000,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer as detailed in note (iv) above) per share and, accordingly, the Company allotted and issued a total of 58,139,534 shares to the convertible bond holders *(Note 16(b))*.
- (viii) On 17 April 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$26,080,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer as detailed in note (iv) above) per share and, accordingly, the Company allotted and issued a total of 60,651,162 shares to the convertible bond holders *(Note 16(b))*.

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

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

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

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

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

- (ii) On 16 January 2014, 1,000,000 shares options were exercised at an exercise price of HK\$0.37 per share and, accordingly, the Company allotted and issued 1,000,000 shares to the grantee.
- (iii) On 29 August 2014, 7,000,000 share options were exercised at an exercise price of HK\$0.32 per share (as adjusted to reflect the open offer as detailed in note (a)(iv) above) and, accordingly, the Company allotted and issued a total of 7,000,000 shares to the grantee.

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. SHARE CAPITAL (Continued)

Notes: (Continued)

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

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

	2015		2014	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
At 1 January	0.32	55,800,000	0.37	63,800,000
Exercised	-	-	0.37	(1,000,000)
At 30 June	0.32	55,800,000	0.37	62,800,000
At 1 July			0.37	62,800,000
Exercised			0.32	(7,000,000)
At 31 December			0.32	55,800,000

(v) Subsequent to the end of the reporting period in August 2015, the Company proposes to refresh the scheme mandate limit under the Share Option Scheme. An extraordinary general meeting will be held on 4 September 2015 to seek approval from the shareholders of the Company.

# 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	Big Point CB	Shanghai Zhenrong CB	Ms. You CB	2nd Tai Cheng CB	2015 CB	1st Marsa CB	Total
	HK\$'000 (Unaudited) (Note (a))	HK\$'000 (Unaudited) (Note (b))	HK\$'000 (Unaudited) (Note (c))	HK\$'000 (Unaudited) (Note (c))	HK\$'000 (Unaudited) (Note (d))	HK\$'000 (Unaudited) (Note (e))	HK\$'000 (Unaudited) (Note (f))	HK\$'000 (Unaudited)
At 1 January 2014	4,169	-	-	-	-	-	-	4,169
Issue of convertible bonds	-	76,620	50,000	30,000	-	-	-	156,620
Direct issue costs	-	-	(140)	(84)	-	-	-	(224)
Equity component on initial recognition	-	(76,620)	(12,725)	(7,436)	-	-	-	(96,781)
Right of conversion exercised by bondholders	-	-	-	-	-	-	-	-
Interest expenses (Note 8)	295	-	1,425	938	-	-	-	2,658
At 30 June 2014	4,464	-	38,560	23,418	-	-	-	66,442
Issue of convertible bonds	-	-	-	-	3,714	-	-	3,714
Right of conversion exercised by bondholders	-	-	(41,475)	(23,585)	-	-	-	(65,060)
Interest expenses	317	-	2,915	167	89	-	-	3,488
At 31 December 2014	<b>4,781</b>	-	-	-	<b>3,803</b>	-	-	<b>8,584</b>
Issue of convertible bonds	-	-	-	-	-	29,000	41,000	70,000
Direct issue costs	-	-	-	-	-	(952)	-	(952)
Equity component on initial recognition	-	-	-	-	-	(6,929)	-	(6,929)
Right of conversion exercised by bondholders	-	-	-	-	-	-	-	-
Interest expenses (Note 8)	339	-	-	-	278	919	463	1,999
At 30 June 2015	<b>5,120</b>	-	-	-	<b>4,081</b>	<b>22,038</b>	<b>41,463</b>	<b>72,702</b>

# 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 17(b)*), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in an aggregate principal amount of HK\$6,163,639 (the “1st Tai Cheng CB”) to Hong Kong Tai Shing Toys Trading Limited (“Tai Shing”). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The 1st Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at the conversion price of HK\$0.43 per share (as adjusted to reflect the open offer as detailed in Note 15(a)(iv)) (subject to adjustments). The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.
- (b) Pursuant to the sale and purchase agreement to the acquisition of Big Point Investment Limited (“Big Point”) (*Note 19(b)*), the Company issued convertible bonds on 30 January 2014 in an aggregate principal amount of HK\$76,620,000 (the “Big Point CB”) to China Real Estates Investment Holdings Limited (“China Real Estates”) as partial satisfaction of the consideration. The Big Point CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 30 January 2017. In respect of the conversion by the bondholder, (a) for the principal amount of HK\$25,540,000, the convertible bonds is convertible into shares before maturity, and (b) for the remaining principal amount of HK\$51,080,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK\$76,620,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at an initial conversion price of HK\$0.50 per share (subject to adjustments).

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. CONVERTIBLE BONDS *(Continued)*

(b) *(Continued)*

Due to the completion of an open offer on 19 August 2014 (*Note 15(a)(iv)*), the conversion price of the Big Point CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014.

All of the Big Point CB in the respective principal amounts of HK\$25,540,000, HK\$25,000,000 and HK\$26,080,000 were converted into 51,080,000, 58,139,534 and 60,651,162 shares of the Company on 18 February 2014, 30 January 2015 and 17 April 2015 (*Note 15(a)(ii), (vii) and (viii)*).

- (c) On 14 January 2014, the Company entered into two separate subscription agreements with two subscribers respectively in relation to the issue of convertible bonds in an aggregate principal amount of HK\$80,000,000. The first subscriber, Shanghai Zhenrong Petroleum Co., Ltd (“Shanghai Zhenrong”), subscribed for the convertible bonds in the principal amount of HK\$50,000,000 (the “Shanghai Zhenrong CB”) and the second subscriber, Ms. You Xia (“Ms. You”), subscribed for the convertible bonds in the principal amount of HK\$30,000,000 (the “Ms. You CB”). The Shanghai Zhenrong CB and the Ms. You CB are denominated in Hong Kong dollars, unsecured, bear interest at 5% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments). The effective interest rates of the Shanghai Zhenrong CB and the Ms. You CB were 15.59% and 15.24% per annum respectively. The proceeds was used for partial repayment of amount due to the controlling shareholder, operations of the clubhouse business acquired on 30 January 2014 (*Note 19(b)*) and as working capital of the Group.

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. CONVERTIBLE BONDS *(Continued)*

(c) *(Continued)*

The Shanghai Zhenrong CB and the Ms. You CB were issued respectively to a nominee of Shanghai Zhenrong and Ms. You on 28 March 2014 and 18 March 2014.

The Ms. You CB and Shanghai Zhenrong CB were converted into 60,000,000 and 116,279,069 (due to the completion of an open offer on 19 August 2014 (*Note 15(a)(iv)*), the conversion price of the Shanghai Zhenrong CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014) shares of the Company on 18 July 2014 and 30 December 2014, respectively (*Note 15(a)(iii) and (vi)*).

(d) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (*Note 17(b)*), the Company issued the second tranche of the Tai Cheng CB on 13 October 2014 in an aggregate principal amount of HK\$5,628,138 (the “2nd Tai Cheng CB”) to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 13 October 2017. The 2nd Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.43 per share (subject to adjustments). The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.

(e) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited (“ASA Securities”), pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK\$83,800,000 which are convertible into, at HK\$0.33 per share (subject to adjustments), 253,939,393 shares of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. CONVERTIBLE BONDS *(Continued)*

(e) *(Continued)*

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

The placing was completed on 6 March 2015, where convertible bonds in the 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 effective interest rate of the 2015 CB was 14.39% per annum. The proceeds was intended to be used for possible acquisitions and as working capital of the Group.

- (f) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star Global Limited ("Rainbow Star") (*Note 19(a)*), the Company issued convertible bonds in May 2015 in an aggregate principal amount of HK\$54,250,000 (the "1st Marsa CB") to Mr. Chung Sum Sang ("Mr. Chung") and Ms. Eva Au ("Ms. Au") as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue) and will be matured in May 2018. Interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). The 1st Marsa CB is convertible into the shares of the Company at the holder's option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (*Note 19(a)*), to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).



# Notes to the Condensed Consolidated Interim Financial Statements

## 16. CONVERTIBLE BONDS *(Continued)*

(f) *(Continued)*

A liability component, an equity component and an early redemption option were classified at initial recognition of the 1st 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 value of the liability component was initially recognised at the date of acquisition at approximately HK\$41,000,000 by using the discounted cash flow model. The fair value estimate was based on assumed discount rate of 11.24% and the Directors' expectation on the amount of the 1st 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 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%.

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, which is detailed in note (f) above).

# Notes to the Condensed Consolidated Interim Financial Statements

## 17. 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 19(a)*), part of the consideration shall be settled by the issue of the Marsa CB in 3 tranches of principal amount of HK\$54,250,000 each on the date of acquisition, the 1st anniversary of and the 2nd anniversary of the date of acquisition. The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au (as detailed in *Note 19(a)*) and may be redeemed or cancelled by the Company with reference to the profit guarantee.

The Marsa CB, when issued, will be denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue), will mature on the date falling on the third anniversary of the date of issue. Interest will be payable on the maturity date if the Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). The Marsa CB is convertible into the shares of the Company at the holder's option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the Marsa CB with reference to the profit guarantee, to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).

# Notes to the Condensed Consolidated Interim Financial Statements

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

(a) *(Continued)*

The Company issued the first tranche of the Marsa CB in May 2015 in the aggregate principal amount of HK\$54,250,000 (*Note 16(f)*).

A liability component, an equity component and an early redemption option were classified at initial recognition of the 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 value of the liability component was initially recognised at the date of acquisition at approximately HK\$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any). This liability component was subsequently measured as at 30 June 2015 at fair value of approximately HK\$69,836,000, with increase in fair value of approximately HK\$803,000 recognised within finance costs, net (*Note 8*) in the condensed consolidated statement of profit or loss.

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option were initially recognised at the date of acquisition at approximately HK\$53,061,000 and HK\$50,036,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 79.13% – 88.53% and risk-free rate of 0.92% – 1.14%.

# Notes to the Condensed Consolidated Interim Financial Statements

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

- (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 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.

The Tai Cheng CB, if issued, will be denominated in Hong Kong dollars, unsecured, interest free, will mature on the date falling on the third anniversary of the date of issue and will be convertible into the shares of the Company at the conversion price of HK\$0.43 per share (as adjusted to reflect the open offer as detailed in Note 15(a)(iv)) (subject to adjustments).

The Company issued the first and second tranches of the Tai Cheng CB on 29 October 2013 and 13 October 2014 in the respective aggregate principal amounts of HK\$6,163,639 and HK\$5,628,138 (*Note 16(a) and (d)*).

# Notes to the Condensed Consolidated Interim Financial Statements

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

(b) *(Continued)*

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

The fair value of the liability component was initially recognised at the date of acquisition at approximately HK\$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors' expectation on the amount of the Tai Cheng CB to be issued. This liability component was subsequently measured as at 30 June 2015 at fair value of approximately HK\$297,000 (31 December 2014: HK\$273,000), with increase in fair value of approximately HK\$24,000 (six months ended 30 June 2014: HK\$528,000) recognised within finance costs, net (*Note 8*) in the condensed consolidated statement of profit or loss.

The equity component, which represents the value of the equity conversion option, was initially recognised in the amount of approximately HK\$16,733,000. As at 30 June 2015, the equity component amounting to approximately HK\$301,000 (31 December 2014: HK\$301,000) is included in equity within other reserves.

# Notes to the Condensed Consolidated Interim Financial Statements

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

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

	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)
At 1 January	<b>273</b>	6,099
Acquisition of subsidiaries <i>(Note 19(a))</i>	<b>69,033</b>	–
Fair value change <i>(Note 8)</i>	<b>827</b>	528
	<hr/>	<hr/>
At 30 June	<b>70,133</b>	6,627
	<hr/>	<hr/>
At 1 July		6,627
Fair value change		(2,640)
Issue of the 2nd Tai Cheng CB <i>(Note 16(d))</i>		(3,714)
		<hr/>
At 31 December		<u>273</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 18. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice dates, as at 30 June 2015 and 31 December 2014 were as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
0 – 30 days	482	430
31 – 60 days	655	303
61 – 90 days	690	17
91 days – 1 year	910	52
Over 1 year	<b>2,839</b>	2,830
	<b>5,576</b>	3,632

The carrying amounts of trade payables approximate their fair values.

## 19. ACQUISITION OF SUBSIDIARIES

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

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

### (a) *(Continued)*

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

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

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



# Notes to the Condensed Consolidated Interim Financial Statements

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

(a) *(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.

	<b>Fair values recognised HK\$'000 (Unaudited)</b>
<b>Purchase consideration</b>	
Cash deposits paid in prior year	<b>20,000</b>
Cash paid in current period	<b>34,250</b>
Fair value of the 1st Marsa CB issued on completion of acquisition <i>(Note 16(f))</i>	
– Liability component	<b>41,000</b>
– Equity component	<b>22,847</b>
– Early redemption option	<b>(20,200)</b>
Fair value of the Marsa CB to be issued <i>(Note 17(a))</i>	
– Liability component	<b>69,033</b>
– Equity component	<b>53,061</b>
– Early redemption option	<b>(50,036)</b>
	<hr/>
Total purchase consideration	<b>169,955</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

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

# Notes to the Condensed Consolidated Interim Financial Statements

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

(a) *(Continued)*

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

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

(b) On 16 December 2013, the Company, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company, "Green Capital"), China Real Estates and Mr. Tang Ho Ka ("Mr. Tang", one of the shareholders of China Real Estates) entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Big Point, a company incorporated in Hong Kong, from China Real Estates at a total consideration of RMB130,000,000, out of which RMB70,000,000 shall be settled in cash and the remaining consideration of RMB60,000,000 (equivalent to HK\$76,620,000) shall be settled by the issue of the Big Point CB (*Note 16(b)*).

# Notes to the Condensed Consolidated Interim Financial Statements

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

### (b) *(Continued)*

Big Point is an investment holding company, which holds 100% direct equity interests in 格林銀湖健康養生(深圳)有限公司(literally translated as Green Silver Lake Healthcare and Wellness Limited, “Green Silver Lake”) (formerly known as Dijia Restaurant Management (Shenzhen) Co, Ltd) and 95% equity interests in 深圳市迪嘉銀湖汽車服務有限公司(literally translated as Shenzhen Dijiyinhu Motor Services Co., Ltd.) through its interest in Green Silver Lake. Big Point and its subsidiaries are principally engaged in the operation of clubhouse business.

Pursuant to the terms of the sale and purchase agreement, on 26 December 2013, a deposit of RMB70,000,000 (equivalent to approximately HK\$88,692,000) was paid to a designated nominee of China Real Estates. The acquisition was subsequently completed on 30 January 2014, and the Big Point CB was issued to China Real Estates on 30 January 2014 as final payment of the consideration of the acquisition.

On completion of the acquisition, Mr. Tang and 深圳市寶渝貿易有限公司(literally translated as Shenzhen Baoyu Trading Co., Ltd., a company controlled by Mr. Tang’s spouse) assigned the indebtedness owed by Green Silver Lake to them in the respective amounts of approximately RMB19,234,000 and RMB12,582,000 (collectively equivalent to approximately HK\$40,788,000) to a subsidiary of the Company at nominal considerations of RMB1 each. Also, subsequent to the completion of the acquisition, on 28 February 2014, Mr. Tang assigned the indebtedness owed by Green Silver Lake to him in the amount of approximately RMB1,283,000 (equivalent to approximately HK\$1,625,000) to a subsidiary of the Company at a nominal consideration of RMB1.

# Notes to the Condensed Consolidated Interim Financial Statements

## 19. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

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

	<b>Fair values recognised HK\$'000 (Unaudited)</b>
<b>Purchase consideration</b>	
Cash deposit paid in 2013	88,692
Big Point CB issued on completion of acquisition (Note 16(b))	76,620
Indebtedness assigned to the Group	(42,413)
	<hr/>
Total purchase consideration	122,899
	<hr/>
<b>Identifiable assets acquired and liabilities assumed on acquisition date</b>	
Property, plant and equipment (Note 12)	18,436
Inventories	1,042
Trade receivables	208
Prepayments, deposits and other receivables	2,765
Cash and cash equivalents	906
Trade payables	(3,009)
Other payables, accruals and deposits received	(17,569)
Amount due to a fellow subsidiary	(40,788)
	<hr/>
Total identifiable net liabilities assumed	(38,009)
Non-controlling interests	31
Goodwill (Note 12)	160,877
	<hr/>
	122,899
	<hr/>

# Notes to the Condensed Consolidated Interim Financial Statements

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

(b) *(Continued)*

An analysis of the net inflow of cash and cash equivalents during the six months ended 30 June 2014 in respect of the acquisition is as follows:

	<b>Fair value recognised on acquisition HK\$'000 (Unaudited)</b>
Cash and cash equivalents acquired	906
Less: Consideration satisfied by cash during the six months ended 30 June 2014	—
	<hr/>
Net cash inflow on acquisition of subsidiaries during the six months ended 30 June 2014	906
	<hr/>

# Notes to the Condensed Consolidated Interim Financial Statements

## 20. COMMITMENTS

### (a) Capital commitments

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

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Authorised but not contracted for:		
– Construction of property, plant and equipment	<b>27,375</b>	27,375
Contracted but not provided for:		
– Acquisition of subsidiaries (Note 19(a))	–	34,250
	<b>27,375</b>	61,625

Save as disclosed as above, on 16 December 2014, Green Capital and Hong Kong E&R-PRO Company Limited (“E&R-PRO”) entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of a minimum of 51% and a maximum of 100% of equity interest in Hong Kong E&R-PRO Assets Management Limited (“E&R-PRO Assets Management”). E&R PRO Assets Management is a company incorporated in Hong Kong with limited liability and will be principally engaged in the trading of commodities including oil products, petrochemicals and metals. The consideration and its terms of payment was yet to be determined as at the date of this report.

# Notes to the Condensed Consolidated Interim Financial Statements

## 20. COMMITMENTS *(Continued)*

### (b) Operating lease commitments

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

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Not later than 1 year	<b>14,006</b>	9,863
Later than 1 year but not later than 5 years	<b>54,970</b>	46,392
	<b>68,976</b>	56,255

None of the leases include contingent rentals.

## 21. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
Wages, salaries and other short-term employee benefits	<b>3,293</b>	1,694
Pension costs – defined contribution plans	<b>36</b>	31
	<b>3,329</b>	1,725



# Notes to the Condensed Consolidated Interim Financial Statements

## 21. SIGNIFICANT RELATED PARTY TRANSACTIONS

(Continued)

### (b) Transactions

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest paid	–	444
Rentals paid	150	492

## 22. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2015 and 31 December 2014.

## 23. SUBSEQUENT EVENTS

- (a) On 24 July 2015, Great Roc Capital Securities Limited (“Great Roc Capital”) and the Company entered into a placing agreement pursuant to which Great Roc Capital has agreed, on a best endeavour basis, to procure placees, who are independent professional, institutional or other individual investors to the Company, to subscribe for the unlisted bonds in an aggregate principal amount of up to HK\$200,000,000 (the “Bonds”) at 100% of the principal amount of the Bonds within the placing period (a period of 180 days starting from the date of the placing agreement or such longer period as mutually agreed by the Company and Great Roc Capital).

# Notes to the Condensed Consolidated Interim Financial Statements

## 23. SUBSEQUENT EVENTS *(Continued)*

(a) *(Continued)*

The Bonds are denominated in Hong Kong dollars, unsecured, bear interest at 7 % per annum and will be matured on the date falling on the fourth anniversary of the issue of the Bonds. Interest is payable in arrears annually on the anniversary of the respective date of the issue of the Bonds. Neither the bondholders may demand for early redemption of the Bonds before the maturity date nor shall the Company have the right to redeem the Bonds before the maturity date. The proceeds is intended to be used for the Group's new money lending business and potential acquisitions.

As at the date of this report, no Bonds have been successfully placed by Great Roc Capital or issued by the Company.

- (b) In August 2015, the Company proposes to refresh the scheme mandate limit under the Share Option Scheme. An extraordinary general meeting will be held on 4 September 2015 to seek approval from the shareholders of the Company.

## 24. COMPARATIVE FIGURES

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

\* *for identification purposes only*

# Management Discussions and Analysis

## BUSINESS REVIEW AND PROSPECTS

Following the acquisition of the beauty and wellness business in May 2015 (detailed in Note 19(a) to the condensed consolidated interim financial statements), the Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the period.

Total revenue of approximately HK\$16,231,000 was recorded by the Group during the six months ended 30 June 2015, as compared to approximately HK\$132,619,000 for the same period in 2014.

Revenue arising from different business segment are as follows:

- (a) approximately HK\$3,324,000 from the toys business segment (six months ended 30 June 2014: HK\$124,158,000);
- (b) approximately HK\$8,616,000 from the clubhouse business segment (six months ended 30 June 2014: HK\$8,461,000); and
- (c) approximately HK\$4,291,000 from the beauty and wellness business segment (acquired in May 2015).

The decrease in revenue was mainly due to reallocation of resources by the Board from the toys business segment, in order to align the Group's businesses and resources with the Group's current major development objective of exploring opportunities to venture into healthcare, beauty and wellness, medical services for elderly, senior tourism, retirement home, hospital, medical equipment and technology and other prospective businesses. The Group's gross profit was approximately HK\$8,675,000 in 2015, as compared to approximately HK\$7,848,000 in 2014, representing an increase of approximately HK\$827,000; the gross profit margin has increased from 5.9% in 2014 to 53.4% in 2015. This is mainly attributable to the higher gross profit margin from clubhouse business and the beauty and wellness business, which was acquired by the Group in May 2015.

## Management Discussions and Analysis

The profit for the period attributable to the equity holders of the Company amounted to approximately HK\$4,700,000 in 2015 whilst a loss of approximately HK\$29,890,000 was recorded in 2014. Excluding the effect of the gain on bargain purchase on acquisition of subsidiaries (detailed in Note 19(a) to the condensed consolidated interim financial statements) of approximately HK\$36,918,000 in the current period, the loss for the period attributable to the equity holders of the Company amounted to approximately HK\$32,218,000, which is close to the results of the same period in 2014.

In particular, after the reallocation of resources as mentioned above and the disposal of a subsidiary from the toys business in September 2014, the operating loss from the toys business segment has decreased from approximately HK\$4,003,000 in 2014 to approximately HK\$1,711,000 in 2015.

Due to the increase in the cost of raw materials and labour and other operating costs in the PRC, operating loss from the clubhouse business segment increased from approximately HK\$10,826,000 in 2014 to approximately HK\$14,857,000 in 2015. The Group is undergoing assessment for rebranding and repositioning of the clubhouse. "Health and Wellness" will be the principal theme of the clubhouse. In view of the pursue of quality life of the residents and visitors of Shenzhen, the Directors are prudently optimistic of the prospects of the clubhouse business in the PRC, in particular in the well-developed cities such as Shenzhen.

The Group has completed the acquisition of the beauty and wellness business in May 2015. The major operating entities from this business segment are Marsa and its subsidiaries, which are principally engaged in the provision of beauty and wellness related services in Shenzhen. This business segment contributed an operating profit of approximately HK\$1,151,000 since its acquisition. As this business segment is still in expansion stage with more cooperation with different clubhouses in Shenzhen is coming, the Directors are prudently optimistic of the contribution to the Group's results by this business segment in the future.

# Management Discussions and Analysis

The Board has also focused on cost control in this difficult operating environment, in order to strive for a higher profit margin and return to shareholders. The Board is adopting a prudent and conservative approach in order to sustain the Group for the long term development and will take appropriate strategic measures to reshape the Group's different business segments and re-allocate resources to them when necessary.

The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the Board for expansion of the business segments of the Group. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. The Board will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

Besides the Group has entered into a memorandum of understanding with an intention to acquire new assets/businesses/companies and is in preliminary negotiations with several independent third parties regarding other potential acquisitions and investments, details of which are described in the section headed "Significant Acquisition and Disposal of Assets" below.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group held cash and bank balances of approximately HK\$91,683,000 (31 December 2014: HK\$131,205,000). Net current assets amounted to approximately HK\$234,295,000 (31 December 2014: HK\$272,246,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 5.5 times (31 December 2014: 10.4 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 27.4% (31 December 2014: 7.6%). As at 30 June 2015, the carrying amounts and the principal amounts of the outstanding borrowings of the Group amounted to approximately HK\$72,702,000 (31 December 2014: HK\$8,584,000) and approximately HK\$95,042,000 (31 December 2014: HK\$62,872,000), respectively. The mandatorily convertible bonds issued for the acquisition of a clubhouse business with outstanding principal amount of HK\$51,080,000 was included in the principal amounts of the outstanding borrowings of the Group as at 31 December 2014 (which was fully converted during the six months ended 30 June 2015).

# Management Discussions and Analysis

## FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk, as most of the Group's assets and liabilities, revenue and expenditure are denominated in Renminbi, U.S. Dollars and Hong Kong Dollars. As at 30 June 2015, the Group had insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities were primarily denominated in Renminbi, U.S. Dollars and Hong Kong Dollars which are currencies with a certain degree of stability.

## CAPITAL STRUCTURE

Details of changes in the capital structure of the Company during the six months ended 30 June 2015 are detailed in Note 16(b), (e) and (f) to the condensed consolidated interim financial statements.

The Company has 1,972,452,606 ordinary shares in issue as at 30 June 2015 and the date of this report.

On 11 May 2012, the Company granted 65,800,000 share options under the Share Option Scheme to certain substantial shareholders, Directors and employees of the Group, of which 55,800,000 share options were still outstanding as at 30 June 2015 and the date of this report.

There were outstanding convertible bonds in the aggregate principal amount of approximately HK\$95,042,000 which are convertible into 223,801,524 shares of the Company as at 30 June 2015 and the date of this report.

Subsequent to the end of the reporting period, in August 2015, the Company proposes to refresh the scheme mandate limit under the Share Option Scheme. An extraordinary general meeting will be held on 4 September 2015 to seek approval from the shareholders of the Company.

# Management Discussions and Analysis

## CHARGES ON ASSETS

As at 30 June 2015, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

## SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save for the Group's acquisition of subsidiaries (detailed in Note 19(a) to the condensed consolidated interim financial statements), there were no significant acquisition and disposal of assets during the six months ended 30 June 2015 and up to the date of this report. The Group has also entered into the following memorandum of understanding.

On 16 December 2014, Green Capital and E&R-PRO entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of a minimum of 51% and a maximum of 100% of equity interest in E&R-PRO Assets Management. E&R-PRO Assets Management is a company incorporated in Hong Kong with limited liability and will be principally engaged in the trading of commodities including oil products, petrochemicals and metals. The entire issued share capital of E&R-PRO Assets Management is wholly owned by E&R-PRO. The consideration of the possible acquisition is to be determined with reference to (i) the profit guarantee of E&R-PRO Assets Management for the first 3 financial years following completion of the possible acquisition as given by E&R-PRO; (ii) the business prospect of E&R-PRO Assets Management; and/or (iii) valuation of E&R-PRO Assets Management by an independent valuer.

The above memorandum of understanding shall be valid for 1 year from the date of its execution, within which parties to the memorandum of understanding shall not negotiate or enter into any documents with other third parties in relation to projects or business equivalent or similar to those stipulated in the memorandum of understanding. As at the date of this report, the Board is still assessing the feasibility studies of the above project, and no formal agreements have been entered into between the parties involved.

# Management Discussions and Analysis

## **COMMITMENTS AND CONTINGENT LIABILITIES**

The Group's capital and operating lease commitments as at 30 June 2015 were detailed in Note 20 to the condensed consolidated interim financial statements.

The Group had no material contingent liabilities as at 30 June 2015.

## **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 2015, the Group employed approximately 400 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 2015.



## Other Information

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

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### The Company

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

Name of Director	Capacity	Interest in shares	Approximate percentage of total issued shares
Dr. Yang Wang Jian (Note i)	Interest of controlled corporations	987,697,627	50.07%
Dr. Yu Qigang (Note ii)	Others	148,154,644	7.51%

##### Notes:

- (i) The shares are beneficially owned by Gold Bless, a company of which 85% of its share capital is owned by Dr. Yang Wang Jian and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Dr. Yang Wang Jian is the sole director of Gold Bless.

## Other Information

- (ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 987,697,627 shares of the Company. Dr. Yu Qigang is therefore effectively interested in approximately 7.51% of the existing issued share capital of the Company.
- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2015.

### (b) Long positions in underlying shares

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

#### Notes:

- (i) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.
- (ii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (detailed in Note 17(a) to the condensed consolidated interim financial statements) beneficially owned by Ms. Eva Au as at 30 June 2015.
- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2015.

## Other Information

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

#### *Long positions in shares*

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in shares</b>	<b>Approximate percentage of total issued shares</b>
Dr. Yang Wang Jian	Beneficial owner	85	85.00%
Dr. Yu Qigang ( <i>Note i</i> )	Interest of controlled corporations	15	15.00%

#### *Notes:*

- (i) The shares are beneficially owned by Winning Top Investments Limited, a company of which the entire share capital is owned by Dr. Yu Qigang and therefore, Dr. Yu Qigang is deemed to be interested in such shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

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

As at 30 June 2015, so far as it is known by or otherwise notified by any Director or chief executive of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

### The Company

#### (a) Long positions in shares

Name of substantial shareholder	Capacity	Interest in shares	Approximate percentage of total issued shares
Gold Bless ( <i>Note i &amp; ii</i> )	Beneficial owner	987,697,627	50.07%
Dr. Yang Wang Jian ( <i>Note i</i> )	Interest of controlled corporations	987,697,627	50.07%
Ms. Tan Li ( <i>Note i</i> )	Interest of spouse	987,697,627	50.07%
Dr. Yu Qigang ( <i>Note ii</i> )	Others	148,154,644	7.51%
Ms. Zhou Cuiqiong ( <i>Note ii</i> )	Interest of spouse	148,154,644	7.51%

## Other Information

### Notes:

- (i) Gold Bless, a company of which 85% of its share capital is owned by Dr. Yang Wang Jian, beneficially owned 987,697,627 shares and therefore, Dr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Dr. Yang Wang Jian is the sole director of Gold Bless.

Ms. Tan Li is the spouse of Dr. Yang Wang Jian, therefore Ms. Tan Li was also deemed to be interested in such shares.

- (ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 987,697,627 shares of the Company. Dr. Yu Qigang is therefore effectively interested in approximately 7.51% of the existing issued share capital of the Company.

Ms. Zhou Cuiqiong is the spouse of Dr. Yu Qigang, therefore Ms. Zhou Cuiqiong is also deemed to be effectively interested in approximately 7.51% of the existing issued share capital of the Company.

- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2015.

### (b) Long positions in underlying shares

Name of substantial shareholder	Capacity	Interest in underlying shares	Approximate percentage of total issued shares
Dr. Yang Wang Jian ( <i>Note i</i> )	Beneficial owner	9,000,000	0.46%
Ms. Tan Li ( <i>Note i</i> )	Interest of spouse	9,000,000	0.46%
Mr. Chung Sum Sang ( <i>Note ii</i> )	Beneficial owner	235,400,000	11.93%

*Note:*

- (i) These are the shares which may be issued upon full exercise of the share options granted to Dr. Yang Wang Jian on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.  
  
Ms. Tan Li is the spouse of Dr. Yang Wang Jian, therefore Ms. Tan Li is also deemed to be interested in such underlying shares.
- (ii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (detailed in Note 17(a) to the condensed consolidated interim financial statements) beneficially owned by Mr. Chung Sum Sang as at 30 June 2015.
- (iii) The percentages are calculated based on the total number of issued shares as at 30 June 2015.

Save as disclosed above, the Directors and the chief executives of the Company are not aware of any other corporations or person who, as at 30 June 2015, had the Voting Entitlements or any interests or short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

### SHARE OPTION SCHEME

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

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

## Other Information

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

Name of grantee	Exercise price <i>HK\$</i>	Exercisable period	As at 1 January 2015	Granted	Exercised/ cancelled/ lapsed	As at 30 June 2015
<b>Directors</b>						
Dr. Yang Wang Jian	0.32	11 May 2012 to 10 May 2022	9,000,000	-	-	9,000,000
Mr. Wong Man Keung	0.32	11 May 2012 to 10 May 2022	9,000,000	-	-	9,000,000
Ms. Yang Jun	0.32	11 May 2012 to 10 May 2022	6,000,000	-	-	6,000,000
Ms. Yang Ya	0.32	11 May 2012 to 10 May 2022	5,800,000	-	-	5,800,000
<b>Other persons</b>	0.32	11 May 2012 to 10 May 2022	26,000,000	-	-	26,000,000
			<hr/> 55,800,000	-	-	<hr/> 55,800,000

## 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 2015.

### **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 2015.

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. Four independent non-executive Directors and one non-executive Director did not attend the extraordinary general meeting held on 29 January 2015 due to other work commitments. Four independent non-executive Directors did not attend the annual general meeting held on 5 June 2015 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 of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Low Chin Sin (Chairman), Mr. Yeung King Wah, Kenneth and Mr. Wu Hong. The Audit Committee has reviewed with the Board the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements and results of the Group for the six months ended 30 June 2015 and this report.



## Other Information

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

During the six months ended 30 June 2015, the Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the six months ended 30 June 2015.

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

Hong Kong, 28 August 2015