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21 Holdings Limited
21 控股有限公司*
(incorporated in Bermuda with limited liability)
(stock code: 1003)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of 21 Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**31,871**	96,637
Cost of sales and service rendered		**(25,515)**	(81,815)
Gross profit		**6,356**	14,822
Investment and other income	*4*	**5,025**	913
Other gains and losses, net		**–**	103
Selling and distribution costs		**(552)**	(866)
Administrative expenses		**(14,103)**	(16,599)
Impairment loss on goodwill	*11*	**(2,320)**	–
Finance costs	*5*	**(461)**	(1,197)
Loss before tax		**(6,055)**	(2,824)
Income tax expense	*6*	**(12)**	(244)
Loss for the period	*7*	**(6,067)**	(3,068)

* *For identification purposes only*

	Notes	Six months ended 30 June **2015** ***HK$'000*** **(Unaudited)**	2014 *HK$'000* (Unaudited)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operation		**75**	117
Total comprehensive expense for the period		**(5,992)**	(2,951)
Loss per share			
— Basic (HK dollar)	*9*	**(0.01)**	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	Notes	**30 June 2015 *HK$'000* (Unaudited)**	31 December 2014 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**581**	910
Loan receivable	*10*	**80,000**	80,000
Goodwill	*11*	**2,075**	4,395
		82,656	85,305
CURRENT ASSETS			
Trade and other receivables	*12*	**69,926**	155,759
Bank balances and cash		**255,122**	231,917
		325,048	387,676
CURRENT LIABILITIES			
Trade and other payables	*13*	**69,705**	129,399
Loan payable	*14*	**6,000**	6,000
Tax payable		**1,881**	1,472
		77,586	136,871
NET CURRENT ASSETS		**247,462**	250,805
NET ASSETS		**330,118**	336,110
CAPITAL AND RESERVES			
Share capital		**5,771**	5,771
Reserves		**324,347**	330,339
TOTAL EQUITY		**330,118**	336,110

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments, based on information provided to the chief operating decision maker ("CODM") representing the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

The Group's operations are currently organised into four operating and reportable segments as follows:

Property agency in Hong Kong	—	Provision of property agency and related services in Hong Kong
Property agency in the People's Republic of China (the "PRC")	—	Provision of property agency and related services, and leasing management services in the PRC
Advertising agency in the PRC	—	Provision of advertising agency services in the PRC
Securities trading and investments	—	Securities trading and investments

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

Six months ended 30 June 2015 (Unaudited)

	Property agency		**Advertising**	**Securities trading and**	
	Hong Kong	**PRC**	**agency**	**investments**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue					
— External sales	31,871	–	–	–	31,871
Segment (loss) profit	(5,386)	(1,212)	801	–	(5,797)
Unallocated corporate income					3,180
Unallocated corporate expenses					(2,977)
Finance costs					(461)
Consolidated loss before tax					(6,055)
Other information (included in measure of segment (loss) profit)					
Investment and other income	18	34	1,789	3	1,844
Depreciation of property, plant and equipment	120	207	4	1	332
Additions to non-current assets during the period	2	–	–	–	2
Impairment loss on goodwill	2,320	–	–	–	2,320

Six months ended 30 June 2014 (Unaudited)

	Property agency		**Advertising**	**Securities trading and**	
	Hong Kong	**PRC**	**agency**	**investments**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue					
— External sales	96,608	29	–	–	96,637
Segment profit (loss)	1,848	(1,579)	–	862	1,131
Unallocated corporate income					6
Unallocated corporate expenses					(2,764)
Finance costs					(1,197)
Consolidated loss before tax					(2,824)
Other information (included in measure of segment profit (loss))					
Investment and other income	46	5	–	857	908
Depreciation of property, plant and equipment	226	186	–	13	425
Additions to non-current assets during the period	6	–	–	–	6

All of the segment revenue reported above are from external customers.

Segment (loss) profit represents the (loss) profit from each segment without allocation of unallocated corporate income (which mainly includes loan interest income), unallocated corporate expenses (which mainly include administration expenses) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank deposits	**1,550**	242
Interest on loan receivable *(note 10)*	**3,174**	–
Interest on debt securities	**–**	490
Imputed interest on note receivable	**–**	128
Sundry	**301**	53
	5,025	913

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on loan payables	**461**	1,197

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax charge comprises:		
Provision of Hong Kong Profits Tax for the period	**12**	244

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**332**	425
Net exchange (gains) losses	**(12)**	105
Interest income	**(4,724)**	(860)

8. DIVIDENDS

No dividends were paid, declared or proposed for the periods ended 30 June 2015 and 2014, nor has any dividend been proposed since the end of both reporting periods.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period for the purposes of basic loss per share	**6,067**	3,068

	Number of ordinary shares	
	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	**577,138**	396,374

No diluted loss per share is presented in both periods, as there were no potential ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

10. LOAN RECEIVABLE

On 30 December 2014, the Group granted a loan with the principal amount of HK$80,000,000 to Mastermind Capital Limited, a company with its shares listed on the Stock Exchange, for a term of two years. The interest rate is 8.00% per annum, payable monthly and the default interest rate is 16.00% per annum on the default payment from the date of default until the sum is paid.

At initial recognition, the fair value of the loan receivable was measured at present value of contractual future cash flows discounted at effective interest rate of 8.00%, taking into account the remaining time to maturity. The loan receivable carries fixed interest rate at 8.00% per annum with maturity on 29 December 2016.

As at 30 June 2015, the carrying amount of loan receivable was measured at amortised cost of HK$80,000,000. The interest of HK$3,174,000 is included in investment and other income during the six months ended 30 June 2015 (for the six months ended 30 June 2014: nil).

Subsequent to the end of reporting period, the loan receivable of HK$80,000,000 and the accrued interest were fully repaid by Mastermind Capital Limited.

11. GOODWILL

	Property agency in Hong Kong *HK$'000*
COST	
At 1 January 2015 (audited) and at 30 June 2015 (unaudited)	**428,515**
IMPAIRMENT	
At 1 January 2015 (audited)	424,120
Impairment loss recognised in the period	2,320
At 30 June 2015 (unaudited)	**426,440**
CARRYING VALUES	
At 30 June 2015 (unaudited)	**2,075**
At 31 December 2014 (audited)	4,395

Property agency in Hong Kong

As at 31 December 2014, the recoverable amount of the cash generating units ("CGUs") of property agency segment in Hong Kong was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation used cash flow projections based on financial budgets approved by the management of the Company covering a five-year period, and at a discount rate of 19.10%. Cash flows beyond the five-year period were extrapolated using a 3.42% growth rate in considering the economic conditions of the market. The estimated growth rates used were comparable to the growth rate for the industry.

Other key assumptions for the value-in-use calculations related to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation was based on the unit's past performance, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, taking into account the effects of the new cooling measures launched in February 2015 and intense competition among the property agents in Hong Kong. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2014 on the potential profitability could not be met and as a result, goodwill was impaired accordingly.

For the six months ended 30 June 2015, the carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK$2,320,000 (for the six months ended 30 June 2014: nil) was recognised. The impairment loss is presented on the face of condensed consolidated statement of profit or loss and other comprehensive income.

12. TRADE AND OTHER RECEIVABLES

For property agency segment in Hong Kong, the Group allows an average credit period of 60 to 90 days to property developers whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted. For property agency segment in the PRC, the Group allows an average credit period of 30 to 60 days to property developers.

Included in trade and other receivables are trade receivables of approximately HK$57,717,000 (31 December 2014: HK$119,499,000) and an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period is as follows:

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
0–30 days	**1,769**	14,276
31–60 days	**4,961**	13,381
61–90 days	**4,438**	19,354
91–180 days	**12,517**	40,755
Over 180 days	**34,032**	31,733
	57,717	119,499

Included in trade and other receivables is legal claim receivable of approximately RMB6,687,000, equivalent to HK$8,363,000 (31 December 2014: RMB6,687,000, equivalent to HK$8,352,000), under a legal claim against 遼寧廣播電視廣告有限公司 (Liaoning Radio & Television Advertisement Limited*) ("Liaoning Radio") initiated by the Group. Details of the litigation are set out in note 15.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are commissions payables of approximately HK$52,125,000 (31 December 2014: HK$109,340,000) to property consultants and cooperative property agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Included in trade and other payable is provision for litigation claim initiated by a third party namely 上海龍韻廣告傳播股份有限公司 (Shanghai Longyun Advertising & Media Co., Ltd.*) ("Shanghai Longyun") of approximately RMB9,611,000, equivalent to HK$12,020,000 (31 December 2014: RMB9,611,000, equivalent to HK$12,004,000). Details of the litigation are set out in note 15.

* *For identification purposes only*

14. LOAN PAYABLE

The loan payable carries fixed interest rate of 15.00% and is repayable within one year. It is secured by an undated share charge over the entire issued share capital of Kingbox Investments Limited ("Kingbox"), a wholly-owned subsidiary of the Company, and the shareholder's loan due by Kingbox to the Company. The proceed was used to finance the general working capital.

15. LITIGATION

During the year ended 31 December 2014, the Group's subsidiary, 廣東中觀傳媒有限公司 (Guangdong Sinofocus Media Limited*) ("Guangdong Sinofocus") initiated a legal claim against Liaoning Radio for recovering a prepayment of advertisement of approximately RMB9,611,000 (equivalent to approximately HK$12,004,000) (the "Prepayment"), which the amount was paid by Shanghai Longyun on behalf of Guangdong Sinofocus.

After seeking legal advice, the Group considered the amount of claim to be able to recover from Liaoning Radio is RMB6,687,000 (which amount is also guaranteed by Frontier Services Group Limited (being an independent third party) pursuant to the terms of sale and purchase of the interest in Sinofocus Media (Holdings) Limited, the intermediate holding company of Guangdong Sinofocus, by the Group during the year ended 31 December 2014). Accordingly, the amount of RMB6,687,000, equivalent to HK$8,363,000 (31 December 2014: equivalent to HK$8,352,000) was recognised as other receivable as at 30 June 2015 and 31 December 2014.

As the Prepayment was paid by Shanghai Longyun, Shanghai Longyun also initiated a legal claim against Guangdong Sinofocus for the sum of RMB9,611,000, equivalent to HK$12,020,000 (31 December 2014: equivalent to HK$12,004,000). The amount of claim was fully provided by the Group and included in other payables as at 30 June 2015 and 31 December 2014.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The Group's property agency segment in Hong Kong reported a revenue of HK$31.9 million for the six months ended 30 June 2015, a decrease of about 67.0% as compared with HK$96.6 million for the same period of last year. Such decrease was mainly contributed by (i) the new round of the cooling measures for small to medium-sized residential properties introduced by the Hong Kong Monetary Authority, (ii) the intense competition among the property agents in Hong Kong and (iii) no additional cash allocated for financing customers' multiple registrations for new projects launched by property developers. During the period under review, the new round of the cooling measures was introduced by the Hong Kong Monetary Authority in February 2015. These measures dragged down the sales transactions in the second quarter of 2015. However, the directors of the Company (the "Directors") expect that the effect of the cooling measures will not last for long because of the imbalance between supply and demand of properties. With the imbalance between supply and demand, existing homeowners have become more reluctant to sell their properties at any discount, which results a substantial decline in sales transactions in secondary market. As a result, property agents have focused their business on primary market. In addition, a sizable property agency company from the People's Republic of China (the "PRC") has expanded its operations into Hong Kong. The Directors expect the competition among property agents remains intense for a period of time.

Gross profit from the property agency segment in Hong Kong decreased by HK$8.4 million or 56.8% from HK$14.8 million for the period ended 30 June 2014 to HK$6.4 million for the period ended 30 June 2015, principally due to the decrease in revenue. Operating loss from the property agency segment in Hong Kong for the six months ended 30 June 2015 amounted to HK$5.4 million whilst the operating profit for the corresponding period in 2014 was HK$1.8 million.

The property market in the PRC remains dull, with the growth in property market falling to the slowest for the first half of 2015. In face of the unfavorable market conditions in the PRC, the Group has continuously streamlined its operation to minimise the operating costs and focused on the property agency segment in Hong Kong. During the period under review, no revenue was generated from the Group's property agency business in the PRC. The reported revenue was HK$29,000 for the six months ended 30 June 2014. This segment recorded a loss of HK$1.2 million during the six months ended 30 June 2015, a decrease of HK$0.4 million compared to a loss of HK$1.6 million for the six months ended 30 June 2014.

In view of the slow global economic growth, the Group disposed of all its securities investments in 2014. During the six months ended 30 June 2015, the Hong Kong equity market has suffered a sharp fall in the second quarter of 2015. The Directors envisaged that there are many unclear factors in the global economy and the equity market would remain unstable in the rest of 2015. Following the disposal of all the Group's securities investments, the Directors have cautiously identified suitable investments for the Group's securities trading and investments business.

On 14 April 2015, the Company and nine subscribers (the "Subscribers") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and issue a total of 1,701,416,556 new shares to the Subscribers at a subscription price of HK$0.4 per share (the "Subscription"). The Directors consider that the Subscription will enable the Group to leverage on the extensive experience, expertise and business connection of the Subscribers, in particular relating to the PRC advertising, media and entertainment industry. To optimise the Group's resources, the Directors intend to commence the Group's advertising agency business in the PRC after the completion of the Subscription.

Despite the Hong Kong Government's series of property market cooling measures, prices in the mass residential market reached a record high in the first half of 2015. The Directors expect that the household debt in Hong Kong will maintain at a high level. Given the possible interest rate hikes in the United States of America (the "US"), further tightening measures to be launched by the Hong Kong Monetary Authority in relation to the provision of mortgage financing and an expected correction in property prices (especially in the small to medium-sized home segment), the Directors foresee high mortgage risk on secondary mortgage loans in 2015. As such, the Directors have decided to adopt a wait-and-see approach in 2015 with respect to the commencement of this line of business.

Prospects

Looking into the second half of 2015, the Directors take the view that the property agency business in Hong Kong will continue to face the challenges brought by the various unclear factors such as the current stock market turmoil, the possible interest rate hikes in the US, the intense competition in the Hong Kong property agency business and further cooling measures in relation to the property market to be launched by the Hong Kong Government. The Directors expect that the property sales transactions would fall in the rest of 2015. The Group will cautiously monitor the business environment and direct resources conservatively to further strengthen and develop its existing businesses.

During the period under review, the Group has not yet commenced its mortgage financing business. The measures introduced in February 2015 further tightened the lending rules on secondary mortgage financing. Moreover, the possible interest rate hikes in the US and the expected drop in home prices would intensify mortgage default risk on secondary mortgage loans. The Group would stay with its wait-and-see approach towards its mortgage financing business.

The growth of the property market in the PRC has slowed down markedly since 2014. The demand was waning and the residential units in stock were piling up. In response to the sluggish property market, the PRC Government began to release the property purchasing limitation policy in some cities in 2014. However, it is expected that transaction volume would continue to fall in the second half of 2015. In view of the gloomy property market in the PRC, the Group has streamlined its operation to minimise its operating costs and shifted its focus to the property agency segment in Hong Kong.

Given the performance of the property agency segment in Hong Kong has been adversely affected by the Hong Kong Government's demand curb measures in recent years, the Directors have been exploring possible strategies to stabilise and maintain the Group's property agency business, as well as suitable investment or business projects to diversify the business of the Group. The Directors considered that such diversification and broadening of the Group's income source would help reduce fluctuations in the financial results of the Group resulting from the cyclical nature of the property market. As such, the Company and the Subscribers entered into the Subscription Agreement on 14 April 2015, pursuant to which the Company has conditionally agreed to allot and issue a total of 1,701,416,556 new shares to the Subscribers at a subscription price of HK$0.4 per share. The Directors are of the view that the Subscription would provide the Group with (i) additional financial resources to help stabilise and maintain its property agency business; and (ii) an opportunity to leverage on the extensive experience, expertise and business connection of the Subscribers to develop existing and new business in the advertising, media and entertainment industry.

Upon completion of the Subscription, the Company and the Subscribers, intend to continue operating the Company's existing businesses, which principally include the provision of property agency and related services, securities trading and investment and advertising agency business. In addition, the Company and one of the Subscribers will explore future business opportunities in the entertainment and media-related areas, including planning, production, publication, investment, distribution of television drama series, films and advertising. The completion of the Subscription is conditional upon satisfaction (or, if applicable, waiver) of the conditions precedent set out in the Subscription Agreement.

The global economy is expected to recover at a moderate pace with the ongoing recovery in the US's economy and the reform in the PRC. Nevertheless, the performance of property market in Hong Kong and the PRC will be hindered by several uncertainties such as the prospective interest rate hikes in the US, the structural supply shortage in Hong Kong property market, the volatilities in the stock market and the further cooling measures to be launched by the governments of Hong Kong and the PRC in the property sector. The Group will stay vigilant to the various external uncertainties on the economy and direct resources conservatively to further strengthen and develop the existing businesses as well as the new investments or business projects. The Board will continue to adjust its strategies and respond promptly to the ever changing market.

FINANCIAL REVIEW

Review of Results

For the six months ended 30 June 2015, the Group reported a revenue of HK$31.9 million, representing a decrease of HK$64.7 million or 67.0% when compared with the corresponding period in last year. Gross profits decreased by HK$8.4 million or 56.8% from HK$14.8 million for the corresponding period in last year to HK$6.4 million, principally due to the decrease in property sales transactions of the property agency segment in Hong Kong.

The Group recorded investment and other income of HK$5.0 million for the period, a significant increase of HK$4.1 million or 455.6% as compared with HK$0.9 million for the corresponding period in last year. Such increase was mainly due to the increase in interest on loan receivable and bank deposits of HK$3.2 million and HK$1.3 million respectively.

Selling and distribution costs amounted to HK$0.6 million for the six months ended 30 June 2015, a 33.3% decrease from HK$0.9 million for the corresponding period in last year. The decrease was due to market research conducted in relation to the Group's business plan for expanding property agency business in overseas for the six months ended 30 June 2014.

Administrative expenses decreased by 15.1% from HK$16.6 million for the six months ended 30 June 2014 to HK$14.1 million for the six months ended 30 June 2015. The decrease was mainly attributable to the decrease in overseas travelling expenses, staff costs and bank charges.

At the end of the reporting period, the Group performed impairment test on the carrying amount of goodwill to determine any potential impairment according to Hong Kong Accounting Standard 36 "Impairment of Assets". The entire net carrying amount of goodwill as at 30 June 2015 has been allocated to the property agency segment in Hong Kong. During the six months ended 30 June 2015, an impairment loss of HK$2.3 million was recognised, which was based on the past performance of the property agency segment in Hong Kong, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, taking into account the effects of the new cooling measures launched in February 2015 and intense competition among the property agents in Hong Kong. The Directors therefore were of the opinion that their previous expectation as at 31 December 2014 on potential profitability could not be met and as a result, the valuation assumptions and the cash flow projection have been adjusted to reflect a more conservative expectation, leading to the impairment loss.

Finance cost was HK$0.5 million for the six months ended 30 June 2015, representing a decrease of HK$0.7 million when compared with that of the corresponding period in last year, primarily comprised of interest expenses of the funding required for purchasing the first-hand properties on behalf of customers.

The Group recorded a loss before interest, tax, depreciation and impairment for the six months ended 30 June 2015 of HK$2.9 million, representing an increase of HK$1.7 million, or 141.7% as compared to that of HK$1.2 million for the corresponding period in last year. This deterioration is mainly attributable to the decrease in gross profits of HK$8.4 million, offsetting with the increase in investment and other income of HK$4.1 million and the decrease in the administrative expenses (excluding depreciation expenses) of HK$2.4 million.

In combination of above factors, the Group recorded a loss of HK$6.1 million for this reporting period, an increase of HK$3.0 million or 97.8% when compared with that of the corresponding period of last year.

Liquidity and Financial Resources

The Group maintained sufficient working capital amounting to HK$247.5 million as at 30 June 2015 (31 December 2014: HK$250.8 million) with bank balances and cash of HK$255.1 million (31 December 2014: HK$231.9 million).

As at 30 June 2015, the Group had loan payables of HK$6.0 million (31 December 2014: HK$6.0 million) which are denominated in Hong Kong dollars and would be due within one year. The loan payables carry fixed interest rate of 15% per annum and are secured by an undated share charge over the entire issued share capital of Kingbox Investments Limited ("Kingbox"), a wholly-owned subsidiary of the Company, and the shareholder's loan due by Kingbox to the Company.

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 30 June 2015 was 1.8% (31 December 2014: 1.8%). Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2015, the Company has 577,138,852 ordinary shares of HK$0.01 each (the "Shares") in issue.

Use of Proceeds from Fund Raising Activities

a. On 5 May 2014, the Company allotted and issued 64,000,000 Shares at a placing price of HK$0.81 per Share (the "Placing") to not less than six individual investors, whose ultimate beneficial owners are independent third parties, pursuant to the general mandate granted to the Directors at the annual general meeting held on 24 May 2013 and a placing agreement dated 25 April 2014. The placing price of HK$0.81 per Share represented a discount of approximately 18.18% to the closing price of HK$0.99 per Share as quoted on the Stock Exchange on 25 April 2014, being the date on which the terms of the Placing were fixed. The net placing price, after deducting the relevant expenses, was approximately HK$0.78 per Share and the aggregate nominal value of the Shares issued was HK$640,000. The aggregate net proceeds from the Placing of approximately HK$50.0 million are intended to use for expansion of the new business, namely the provision of mortgage financing. As at 30 June 2015, the net proceeds from the Placing were remained unused and placed with licensed banks in Hong Kong.

b. On 16 June 2014, the Company further allotted and issued 192,379,617 Shares at a subscription price of HK$0.50 per Share by way of open offer to the qualifying shareholders of the Company on the basis of one new Share for every two existing Shares held on 21 May 2014 (the "Open Offer"). The aggregate net proceeds from the Open Offer of HK$92.7 million are intended to use for expansion of the new business, namely the provision of mortgage financing. As at 30 June 2015, the net proceeds from the Open Offer of HK$92.7 million were applied as to (i) HK$80.0 million for financing the granting of loan to an independent third party for a term of two years and (ii) HK$12.7 million was remained unused and placed with licensed banks in Hong Kong.

Charges on Assets

As at 30 June 2015, the Group had an undated share charge over the entire issued share capital of Kingbox and the shareholder's loan due by Kingbox to the Company as a security for the loan payable of HK$6.0 million. The consolidated net asset values of Kingbox and its subsidiaries and the shareholder's loan as at 30 June 2015 were HK$38.3 million (31 December 2014: HK$42.4 million) and nil (31 December 2014: HK$18.3 million) respectively.

Exposure to Exchange Rates

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. Operations and performances of the Group might be affected by the fluctuation of Renminbi. Presently, the Group does not have any currency hedging policy but will closely monitor Renminbi exchange rate and take appropriate measures to minimise any adverse impact that may be caused by its fluctuation.

Contingent Liabilities

As at 30 June 2015, the Group had no significant contingent liabilities.

Litigation

Details of the litigation are set out in note 15 to the condensed consolidated financial statements.

Employees

As at 30 June 2015, the Group had 25 employees and 179 agents. To attract, retain and motivate its employees, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

Event after the Reporting Period

The Subscription Agreement and transactions contemplated thereunder (including the continuing connected transactions in relation to the services agreements, application for whitewash waiver and change of Company name as set out in the circular issued by the Company on 5 August 2015) were approved by the independent shareholders at the Company's special general meeting held on 28 August 2015.

CORPORATE GOVERNANCE

Corporate Governance Code and Corporate Governance Report

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the six months ended 30 June 2015, except for the following deviations:

a. Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2015, Mr. Lei Hong Wai ("Mr. Lei") has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies.

b. None of the non-executive directors of the Company is appointed for a specific term which is deviated from Code A.4.1 of the CG Code. However, as the directors of the Company (the "Director(s)") are subject to retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

c. Pursuant to Code A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Ms. Chio Chong Meng, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 29 June 2015 due to her respective engagement.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have fully complied with the Model Code throughout the review period.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The Audit Committee of the Company has reviewed with the management and the independent auditor of the Company the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015.

By Order of the Board
Lei Hong Wai
Chairman

Hong Kong, 28 August 2015

As at the date of this announcement, the Board comprises Mr. Lei Hong Wai (Chairman), Mr. Ng Kai Man and Mr. Cheung Kwok Fan as executive Directors and Ms. Chio Chong Meng, Mr. Wong Tak Chuen and Mr. Man Kong Yui as independent non-executive Directors.