



KITH HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)

僑威集團有限公司*

(已委任臨時清盤人)

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

Interim Report 2014

* *For identification purposes only*

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhou Jin
Mr. Tao Fei Hu
Mr. Wang Feng Wu
Ms. Cheng Hung Mui
Mr. Zhang Xiaofeng
Mr. Liu Qingchang
Mr. Wei Ren
Mr. Liu Shihong

NON-EXECUTIVE DIRECTORS

Mr. Gou Min
Ms. Connie Xiaohua Zhang

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ho Chun Chung, Patrick

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Lai Kar Yan (Derek)
Mr. Darach E. Haughey
Mr. Yeung Lui Ming (Edmund)
Mr. Ho Kwok Leung, Glen

35th Floor, One Pacific Place
88 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Codan Services Limited
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1007 Tsim Sha Tsui Centre, West Wing
66 Mody Road
Tsim Sha Tsui
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
18/F., Devon House, Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road, Central,
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road, Causeway Bay
Hong Kong

WEBSITE

www.kithholdings.com

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2014, the turnover of the continuing operation, was approximately HK\$326.13 million (six months ended 30 June 2013: approximately HK\$390.28 million), representing a decrease of approximately 16.44% from the six months ended 30 June 2013.

The consolidated profit attributable to owners of the Company from continuing operation amounted to approximately HK\$15.97 million for the six month ended 30 June 2014 (six months ended 30 June 2013: loss of approximately HK\$33.05 million). Earnings per share was approximately HK\$0.06 for the six months ended 30 June 2014 (six months ended 30 June 2013: loss per share approximately HK\$0.81).

RESULTS AND APPROPRIATIONS

Revenue

The turnover of the continuing operation was approximately HK\$326.13 million (six months ended 30 June 2013: approximately HK\$390.28 million), representing a decrease of approximately 16.44%. The decrement was mainly due to various anti-smoking and anti-graft policies launched by the PRC government. This, in turn, affected the sales of tobacco and related products.

The turnover of the distribution of television business-related products and distribution of other electronic and related products decreased from HK\$187.88 million to nil for the period due to suspension of the distribution of television business-related products and distribution of other electronic and related products since May 2013. The distribution of television business-related products and distribution of other electronic and related products are classified as discontinued business and the related financial information are disclosed in notes 5 and 7.

Gross Profit

Gross profit of the Group decreased from approximately HK\$129.96 million to approximately HK\$107.50 million for the period ended 30 June 2014 due to the decrement in sales resulted from various anti-smoking and anti-graft policies launched by the PRC government.

Impairment loss on available-for-sale investments

During the period, the management made disposal on certain available-for-sale investments and an impairment loss on available-for-sale investments approximately HK\$7.36 million was made for the period ended 30 June 2014.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 June 2014 was approximately HK\$105.95 million (31 December 2013: approximately HK\$56.76 million).

CAPITAL STRUCTURE

During the six months ended 30 June 2014, there were no changes on the capital structure.

MANAGEMENT DISCUSSION AND ANALYSIS

RESTRUCTURING OF THE GROUP

Proposed restructuring of the Group

After the Provisional Liquidators' appointment, the Provisional Liquidators formed the view that a restructuring of the Company, possibly with (some of) its subsidiaries, would likely result in better recovery for its creditors as compared to liquidation. The focus of any restructuring of the Group will be the settlement of its liabilities arising from the Distribution Business.

The Provisional Liquidators had therefore negotiated with various interested parties, including Double Key International Limited (the "Investor"), in relation to a restructuring of the Group ("the Restructuring").

On 28 April 2014, an exclusivity agreement was entered into between the Investor, the Company and the Provisional Liquidators of the Company pursuant to which the Company agrees to grant the Investor an exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the exclusivity agreement and ending on the date falling 3 months after the date of the exclusivity agreement, unless extended by the parties in writing.

On 23 May 2014, the Investor had received valid acceptances in respect of 25,830,204 shares of the Company under the offer set out in the offer document dated 25 April 2014, representing approximately 9.88% of the existing issued share capital of the Company. With the acquisition of 131,000,000 shares (representing approximately 50.1% of the existing issued share capital of the Company) held by Accufit Investments Inc. on 18 December 2013, the Investor owns a total of approximately 59.98% of the issued ordinary shares of the Company.

On 16 June 2014, the Company, the Provisional Liquidators and the Investor entered into the restructuring deed to implement the restructuring of the indebtedness of the Group which contemplates, among others, (i) the scheme of arrangement of the Company and the scheme of arrangement of the Company's restructuring subsidiary, Ever Honest Industries Limited (the "Schemes") and (ii) the secured debt purchase (collectively the "Debt Restructuring"). The Investor shall make available an amount up to HK\$485,600,000 for the implementation of the Debt Restructuring.

On 18 July 2014, the Court of First Instance of the Hong Kong Court sanctioned, among other things, the entering into the restructuring deed between the Company, the Provisional Liquidators and the Investor.

Winding-up of non-viable distribution subsidiaries

The Distribution Business came to a halt since May 2013. Both Kith Electronics Limited ("KEL") and Kith Resources Limited ("KRL"), wholly-owned subsidiaries of the Company, had ceased operation in May 2013 and cannot continue its business by reason of its liabilities. Accordingly, on 20 August 2014, at the respective shareholder's meeting, a special resolution was duly passed to wind up KEL and KRL respectively by way of a creditors' voluntary liquidation. At the respective creditors' meeting of KEL and KRL duly held on the same date, Messrs. Lai Kar Yan (Derek) and Mr. Darach E. Haughey were appointed as the joint and several liquidators of KEL and KRL.

Following the commencement of the winding-up, the financial results of KEL and KRL will be deconsolidated from those of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Debt restructuring by way of 2 creditors' scheme of arrangement

On 16 September 2014 and 18 September 2014, the Hong Kong Court and the Bermuda Court respectively directed that a meeting be convened for the creditors of the Company for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between the Company and its creditors.

On 16 September 2014, the Hong Kong Court directed that a meeting be convened for the creditors of Ever Honest Industries Limited for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between Ever Honest Industries Limited and its creditors.

At the respective meetings of the creditors of the Company and Ever Honest Industries Limited held on 7 November 2014, the resolutions to approve the Schemes were duly passed pursuant to Section 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and Section 99 of the Companies Act 1981 of Bermuda (where applicable).

On 11 December 2014, the scheme of arrangement between the Company and its creditors was sanctioned by the Bermuda Court. Subsequently, on 27 January 2015, the Schemes were sanctioned by the Hong Kong Court.

Upon the completion of the Debt Restructuring, all the claims against, and liabilities of, the Company and Ever Honest Industries Limited will be assigned to a special purpose vehicle and such special purpose vehicle will be transferred to the Investor upon the completion of the Debt Restructuring.

Proposed open offer

The Company proposes to raise approximately HK\$90,200,000, before expenses, by way of open offer of 130,726,800 ordinary shares at the subscription price of HK\$0.69 per offer share on the basis of one offer share for every two existing shares held on the date for determining the entitlements to the open offer.

On 11 September 2014, the Company, the Investor and Select Investment Services Limited (“Select Investment”) entered into an underwriting agreement where the Investor and Select Investment agreed to underwrite up to a certain number of the underwritten shares in relation to the proposed open offer.

On 30 December 2014, the Company has entered into a deed of termination with the Investor and Select Investment to terminate the underwriting agreement dated 11 September 2014. Pursuant to the deed of termination, the Company, the Investor and Select Investment irrevocably and unconditionally agreed that on and with effect from 30 December 2014, the underwriting agreement shall terminate and cease to have effect. Each party to the deed of termination releases and discharges the other party from all its obligations, duties and liabilities under the underwriting agreement and from all actions, proceedings, claims, demands, damages, costs and expenses arising from such obligations, duties and liabilities.

A new underwriting agreement was duly executed by the Company, the Investor and Guoyuan Securities Brokerage (Hong Kong) Limited (“Guoyuan”) on the same day. Other than Select Investment was replaced by Guoyuan, all terms and conditions under the new underwriting agreement remain the same as the underwriting agreement dated 11 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the Interim Financial Statements.

PROSPECTS

The Company's shares are listed on the Stock Exchange and the trading in shares of the Company has been suspended since 18 December 2013. By a letter dated 18 February 2014 issued by the Stock Exchange to the Provisional Liquidators, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has placed the Company in the first stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that the Company was required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

- Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- Publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company's office; and
- Have the winding up petition against the Company being withdrawn or dismissed and the Provisional Liquidators being discharged.

and that the Company has demonstrated that it has a business of substance and the business model is viable and sustainable.

At the request of the listing division of the Stock Exchange, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal dated 4 August 2014 (the "Proposal").

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for resumption of trading in the shares of the Company.

By a letter dated 29 October 2014, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has decided to allow the Company to proceed with the Proposal and the subsequent submissions, subject to satisfying the following conditions by 31 March 2015:

- 1) Completion of the transactions under the Proposal;
- 2) Inclusion in an announcement or open offer prospectus:
 - (a) a profit forecast for the two years ending 31 December 2015 and the period ending 30 June 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3)

MANAGEMENT DISCUSSION AND ANALYSIS

- (b) a pro forma balance sheet upon completion of the Proposal; and
 - (c) a statement from the directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the directors' statement.
- 3) Withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators; and
- 4) Publication of all outstanding financial results with any major audit qualifications properly addressed.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

EMPLOYMENT

It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests of the directors and their associates in the shares, underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Listing Rules, were as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest of controlled corporation	131,000,000 (Note 1)	50.10%

Note 1: The shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% shareholding interest.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Interim Report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 30 June 2014, the following shareholders (other than the Directors or chief executives of the Company whose interests and short positions in the shares, underlying shares and debentures of the Company are disclosed in the section headed "Directors' interests and short positions in the shares" above) had interests in the shares, underlying shares and debentures of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of shares	Approximate % of the Company's issued share capital
Double Key International Limited	Beneficial Owner	131,000,000 (<i>Note 2</i>)	50.10%
Basab Inc.	Trustee	30,000,000 (<i>Note 3</i>)	11.47%
Chen Lihua	Person having a security interest in shares	30,000,000 (<i>Note 1</i>)	11.47%
Hui King Chun	Held by trust	30,000,000 (<i>Note 3</i>)	11.47%
Hui Ngai Hing Abbie	Interest of controlled corporation	30,000,000 (<i>Note 3</i>)	11.47%
Safeguard Trustee Limited	Trustee	30,000,000 (<i>Note 3</i>)	11.47%
Superb Glory Holdings Limited	Person having a security interest in shares	30,000,000 (<i>Note 1</i>)	11.47%

Note 1: These shares are registered in the name of Accufit Investments Inc., and are subject to a share charge in favour of Superb Glory Holdings Limited. Superb Glory Holdings Limited is 100% owned by Chen Lihua.

Note 2: The shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% shareholding interest.

Note 3: These shares are registered in the name of Accufit Investments Inc., which is 100% owned by Basab Inc. as trustee of the Basab Unit Trust which is a unit trust owned by Safeguard Trustee Limited as trustee of a discretionary trust, the beneficiaries of which are the family members of Hui King Chun. Hui Ngai Hing Abbie is the sole shareholder and director of Basab Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Provisional Liquidators of the Company have been appointed, the resignation of the company secretary, the changes of directors and no audit committee, nomination committee and remuneration committee had been established owing to the current insufficient number of independent non-executive directors, the Company has not complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Arrangements will be made to comply with the Code of Corporate Governance Practices before the resumption of the trading in shares of the Company.

REVIEW OF INTERIM REPORT

By the time the unaudited results for the six months ended 30 June 2014 of the Group were prepared, no audit committee had been established in accordance with Rule 3.21 of the Listing Rules. Since the audit committee has yet to be established, the interim report for the six months ended 30 June 2014 has not been reviewed by audit committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”). All existing directors confirmed that they have fully complied with the required standard set out in the Model Code. But the Board makes no representations as to whether the other than Directors had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
Continuing operation			
Revenue	5	326,129	390,283
Cost of sales		<u>(218,631)</u>	<u>(260,320)</u>
Gross profit		107,498	129,963
Other income		5,792	2,370
Distribution and selling expenses		(1,171)	(1,980)
Administrative expenses		<u>(53,641)</u>	<u>(66,299)</u>
Profit from operation		58,478	64,054
Fair value gain/(loss) on held-for-trading investments		3	(115)
Fair value gain on other financial assets		–	202
Impairment loss on available-for-sale investments		(7,364)	(379)
Share of loss of an associate		–	(364)
Loss on disposal of an associate		<u>–</u>	<u>(44,413)</u>
Profit from operation		51,117	18,985
Finance costs		<u>(8,063)</u>	<u>(11,492)</u>
Profit before tax		43,054	7,493
Income tax	6	<u>(10,378)</u>	<u>(17,445)</u>
Profit/(loss) for the period from continuing operation		32,676	(9,952)
Discontinued operations			
Loss for the period from discontinued operations	7	<u>(314)</u>	<u>(178,598)</u>
Profit/(loss) for the period	8	<u>32,362</u>	<u>(188,550)</u>
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		8,528	12,705
Fair value changes on available-for sale investments		<u>–</u>	<u>(1,718)</u>
Total other comprehensive income for the period, net of tax		<u>8,528</u>	<u>10,987</u>
Total comprehensive income/(loss) for the period		<u>40,890</u>	<u>(177,563)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Profit/(loss) for the period attributable to:		
Owners of the Company		
From continuing operation	15,970	(33,045)
From discontinued operations	(314)	(178,553)
Profit/(loss) attributable to owners of the Company	15,656	(211,598)
Non-controlling interests		
From continuing operation	16,706	23,048
	32,362	(188,550)
	32,362	(188,550)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	21,122	(205,427)
Non-controlling interests	19,768	27,864
	40,890	(177,563)
	40,890	(177,563)
Earnings/(loss) per share		
	<i>10</i>	
<i>Basic and diluted (cents per share)</i>		
From continuing operation	6.11	(12.64)
From discontinued operations	(0.12)	(68.29)
	5.99	(80.93)
From continuing and discontinued operations	5.99	(80.93)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	587,696	601,066
Prepaid land lease payments		44,305	42,236
Deposits paid for acquisition of property, plant and equipment		1,109	1,539
Available-for-sale investments		5,679	18,440
		<u>638,789</u>	<u>663,281</u>
Current assets			
Inventories		124,275	136,498
Trade and other receivables, deposits and prepayments	12	272,764	258,417
Prepaid land lease payments		613	613
Short-term loans receivable		–	811
Held-for-trading investments		446	443
Bank and cash balances		105,951	56,758
		<u>504,049</u>	<u>453,540</u>
Current liabilities			
Trade and other payables	13	239,409	239,219
Tax payables		1,282	4,836
Dividend payable to non-controlling shareholders		2,616	42,076
Borrowings		543,314	517,292
Obligations under finance leases		–	16
		<u>786,621</u>	<u>803,439</u>
Net current liabilities		<u>(282,572)</u>	<u>(349,899)</u>
Total assets less current liabilities		<u>356,217</u>	<u>313,382</u>
Non-current liabilities			
Deferred tax liabilities		44,313	42,368
NET ASSETS		<u><u>311,904</u></u>	<u><u>271,014</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	At 30 June 2014 <i>HK\$'000</i> (Unaudited)	At 31 December 2013 <i>HK\$'000</i> (Audited)
Capital and reserves		
Share capital	26,145	26,145
Reserves	<u>(57,726)</u>	<u>(78,848)</u>
Equity attributable to owners of the Company	(31,581)	(52,703)
Non-controlling interests	<u>343,485</u>	<u>323,717</u>
TOTAL EQUITY	<u>311,904</u>	<u>271,014</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company													
	Capital		Asset		Enterprise		Reserve	Other	Foreign		Retained		Non-	
	Share redemption	Share	revaluation	expansion	fund	fund			currency	Investment	profits/	controlling		Total
	capital	premium	reserve	fund	reserve	reserve	translation	revaluation	(Accumulated	Total				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2013	26,145	624	74,215	52,970	23,778	27,185	79,143	(200)	110,196	1,718	228,102	623,876	372,843	996,719
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	7,889	(1,718)	(211,598)	(205,427)	27,864	(177,563)
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(40,286)	(40,286)
At 30 June 2013	<u>26,145</u>	<u>624</u>	<u>74,215</u>	<u>52,970</u>	<u>23,778</u>	<u>27,185</u>	<u>79,143</u>	<u>(200)</u>	<u>118,085</u>	<u>-</u>	<u>16,504</u>	<u>418,449</u>	<u>360,421</u>	<u>778,870</u>
At 1 January 2014	26,145	624	74,215	41,739	47,701	30,016	79,143	(200)	121,123	-	(473,209)	(52,703)	323,717	271,014
Total comprehensive income for the period	-	-	-	-	-	-	-	-	5,466	-	15,656	21,122	19,768	40,890
At 30 June 2014	<u>26,145</u>	<u>624</u>	<u>74,215</u>	<u>41,739</u>	<u>47,701</u>	<u>30,016</u>	<u>79,143</u>	<u>(200)</u>	<u>126,589</u>	<u>-</u>	<u>(457,553)</u>	<u>(31,581)</u>	<u>343,485</u>	<u>311,904</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	<u>61,345</u>	<u>129,202</u>
Net cash (used in)/generated from investing activities	<u>(5,984)</u>	<u>5,947</u>
Net cash used in financing activities	<u>(10,598)</u>	<u>(68,996)</u>
Net increase in cash and cash equivalents	44,763	66,153
Cash and cash equivalents at beginning of period	47,676	53,170
Effect of changes in foreign exchange rate	<u>1,544</u>	<u>1,972</u>
Cash and cash equivalents at end of period	<u><u>93,983</u></u>	<u><u>121,295</u></u>
Analysis of cash and cash equivalents		
Bank and cash balances	105,951	127,588
Bank overdrafts	<u>(11,968)</u>	<u>(6,293)</u>
	<u><u>93,983</u></u>	<u><u>121,295</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION

Kith Holdings Limited (Provisional Liquidators Appointed) (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 35/F, One Pacific Place, 88 Queensway, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the trading in shares of the Company has been suspended since 18 December 2013.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively “the Group”) were principally engaged in printing and manufacturing of packaging products (the “Packaging Printing Business”). In prior period, the Group also engaged in distribution of television business-related products and distribution of other electronic and related products (the “Distribution Business”) and these operations came to a halt since May 2013.

2. BASIS OF PREPARATION

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

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. BASIS OF PREPARATION (CONTINUED)

Winding-up petition and appointment of Provisional Liquidators

China CITIC Bank International Limited (formerly known as CITIC Bank International Limited) served on the Company (i) a petition at the High Court of Hong Kong (the “Hong Kong Court”) for an order, amongst other things, to wind up the Company (the “Hong Kong Petition”) on 14 January 2014; and (ii) a petition at the Supreme Court of Bermuda (the “Bermuda Court”) for an order, amongst other things, to wind up (the “Bermuda Petition”) and to appoint a provisional liquidator against the Company on 15 January 2014.

On 27 January 2014, Messrs Lai Kar Yan (Derek), Darach E. Haughey and Ho Kwok Leung, Glen have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Bermuda Court (the “JPLs”). The hearing of the Bermuda Petition has been adjourned to 8 August 2014 (Bermuda time) and further adjourned to 20 February 2015 (Bermuda time).

On 5 March 2014, Messrs. Lai Kar Yan (Derek), Darach E. Haughey, Ho Kwok Leung, Glen and Yeung Lui Ming (Edmund) have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Hong Kong Court (the “HKPLs”) (the JPLs and HKPLs shall be collectively referred as the “Provisional Liquidators”). On 19 March 2014, the Hong Kong Court ordered, among other things, that the hearing of the Hong Kong Petition be adjourned to 20 August 2014. The Hong Kong Petition was subsequently adjourned to 4 March 2015.

Suspension of trading in the shares of the Company

The Company’s shares are listed on the Stock Exchange and the trading in shares of the Company has been suspended since 18 December 2013. By a letter dated 18 February 2014 issued by the Stock Exchange to the Provisional Liquidators, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has placed the Company in the first stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and that the Company was required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

- Demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules;
- Publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company’s office; and
- Have the winding up petition against the Company being withdrawn or dismissed and the Provisional Liquidators being discharged.

and that the Company has demonstrated that it has a business of substance and the business model is viable and sustainable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. BASIS OF PREPARATION (CONTINUED)

Suspension of trading in the shares of the Company (Continued)

At the request of the listing division of the Stock Exchange, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal dated 4 August 2014 (the "Proposal").

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for resumption of trading in the shares of the Company.

By a letter dated 29 October 2014, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has decided to allow the Company to proceed with the Proposal and the subsequent submissions, subject to satisfying the following conditions by 31 March 2015:

- 1) Completion of the transactions under the Proposal;
- 2) Inclusion in an announcement or open offer prospectus:
 - (a) a profit forecast for the two years ending 31 December 2015 and the period ending 30 June 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3)
 - (b) a pro forma balance sheet upon completion of the Proposal; and
 - (c) a statement from the directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on directors' statement.
- 3) Withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators; and
- 4) Publication of all outstanding financial results with any major audit qualifications properly addressed.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group

After the Provisional Liquidators' appointment, the Provisional Liquidators formed the view that a restructuring of the Company, possibly with (some of) its subsidiaries, would likely result in better recovery for its creditors as compared to liquidation. The focus of any restructuring of the Group will be the settlement of its liabilities arising from the Distribution Business.

The Provisional Liquidators had therefore negotiated with various interested parties, including Double Key International Limited (the "Investor"), in relation to a restructuring of the Group ("the Restructuring").

On 28 April 2014, an exclusivity agreement was entered into between the Investor, the Company and the Provisional Liquidators of the Company pursuant to which the Company agrees to grant the Investor an exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the exclusivity agreement and ending on the date falling 3 months after the date of the exclusivity agreement, unless extended by the parties in writing.

On 23 May 2014, the Investor had received valid acceptances in respect of 25,830,204 shares of the Company under the offer set out in the offer document dated 25 April 2014, representing approximately 9.88% of the existing issued share capital of the Company. With the acquisition of 131,000,000 shares (representing approximately 50.1% of the existing issued share capital of the Company) held by Accufit Investments Inc. on 18 December 2013, the Investor owns a total of approximately 59.98% of the issued ordinary shares of the Company.

On 16 June 2014, the Company, the Provisional Liquidators and the Investor entered into the restructuring deed to implement the restructuring of the indebtedness of the Group which contemplates, among others, (i) the scheme of arrangement of the Company and the scheme of arrangement of the Company's restructuring subsidiary, Ever Honest Industries Limited (the "Schemes") and (ii) the secured debt purchase (collectively the "Debt Restructuring"). The Investor shall make available an amount up to HK\$485,600,000 for the implementation of the Debt Restructuring.

On 18 July 2014, the Court of First Instance of the Hong Kong Court sanctioned, among other things, the entering into the restructuring deed between the Company, the Provisional Liquidators and the Investor.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. BASIS OF PREPARATION (CONTINUED)

Winding-up of non-viable distribution subsidiaries

The Distribution Business came to a halt since May 2013. Both Kith Electronics Limited (“KEL”) and Kith Resources Limited (“KRL”), wholly-owned subsidiaries of the Company, had ceased operation in May 2013 and cannot continue its business by reason of its liabilities. Accordingly, on 20 August 2014, at the respective shareholder’s meeting, a special resolution was duly passed to wind up KEL and KRL respectively by way of a creditors’ voluntary liquidation. At the respective creditors’ meeting of KEL and KRL duly held on the same date, Messrs. Lai Kar Yan (Derek) and Mr. Darach E. Haughey were appointed as the joint and several liquidators of KEL and KRL.

Following the commencement of the winding-up, the financial results of KEL and KRL will be deconsolidated from those of the Group.

Debt restructuring by way of 2 creditors’ scheme of arrangement

On 16 September 2014 and 18 September 2014, the Hong Kong Court and the Bermuda Court respectively directed that a meeting be convened for the creditors of the Company for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between the Company and its creditors.

On 16 September 2014, the Hong Kong Court directed that a meeting be convened for the creditors of Ever Honest Industries Limited for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between Ever Honest Industries Limited and its creditors.

At the respective meetings of the creditors of the Company and Ever Honest Industries Limited held on 7 November 2014, the resolutions to approve the Schemes were duly passed pursuant to Section 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and Section 99 of the Companies Act 1981 of Bermuda (where applicable).

On 11 December 2014, the scheme of arrangement between the Company and its creditors was sanctioned by the Bermuda Court. Subsequently, on 27 January 2015, the Schemes were sanctioned by the Hong Kong Court.

Upon the completion of the Debt Restructuring, all the claims against, and liabilities of, the Company and Ever Honest Industries Limited will be assigned to a special purpose vehicle and such special purpose vehicle will be transferred to the Investor upon the completion of the Debt Restructuring.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. BASIS OF PREPARATION (CONTINUED)

Proposed open offer

The Company proposes to raise approximately HK\$90,200,000, before expenses, by way of open offer of 130,726,800 ordinary shares at the subscription price of HK\$0.69 per offer share on the basis of one offer share for every two existing shares held on the date for determining the entitlements to the open offer.

On 11 September 2014, the Company, the Investor and Select Investment Services Limited (“Select Investment”) entered into an underwriting agreement where the Investor and Select Investment agreed to underwrite up to a certain number of the underwritten shares in relation to the proposed open offer.

On 30 December 2014, the Company has entered into a deed of termination with the Investor and Select Investment to terminate the underwriting agreement dated 11 September 2014. Pursuant to the deed of termination, the Company, the Investor and Select Investment irrevocably and unconditionally agreed that on and with effect from 30 December 2014, the underwriting agreement shall terminate and cease to have effect. Each party to the deed of termination releases and discharges the other party from all its obligations, duties and liabilities under the underwriting agreement and from all actions, proceedings, claims, demands, damages, costs and expenses arising from such obligations, duties and liabilities.

A new underwriting agreement was duly executed by the Company, the Investor and Guoyuan Securities Brokerage (Hong Kong) Limited (“Guoyuan”) on the same day. Other than Select Investment was replaced by Guoyuan, all terms and conditions under the new underwriting agreement remain the same as the underwriting agreement dated 11 September 2014.

Going concern

As at 30 June 2014, the Group had net current liabilities of approximately HK\$282,572,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Interim Financial Statements have been prepared on a going concern basis on the assumption that the Debt Restructuring and the proposed open offer of the Company will be successfully completed, and that, following the completion of the Debt Restructuring and the proposed open offer, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and the open offer and to continue its business as a going concern, adjustments would have to be made to the Interim Financial Statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy:

Description	Fair value	Total	Fair value	Total
	measurements	using:	measurements	using:
	Level 1	31 December	Level 1	30 June
	HK\$'000	2013	HK\$'000	2014
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Recurring fair value measurements:				
Held-for-trading investments at fair value through profit or loss:				
Listed securities in Hong Kong	443	443	446	446
Available-for-sale financial assets:				
Available-for-sale investments in an investment savings plan	12,761	12,761	-	-
Total recurring fair value measurements	13,204	13,204	446	446

5. TURNOVER AND SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. During the period ended 30 June 2014, the Group's revenue are derived from the segment of printing and manufacturing of packaging products. Whereas, the Group's revenue for the period ended 30 June 2013 are derived from the segment of printing and manufacturing of packaging products, distribution of television business-related products, other electronic and related products.

Segment profits or losses do not include investment and other income, finance costs, and income tax and other unallocated corporate income and expenses. Segment assets do not include interest in an associate, available-for-sale investments, held-for-trading investments, current and deferred tax assets, deposits paid for acquisition of properties under development and other unallocated corporate assets. Segment liabilities do not include borrowings, obligation under finance lease, current and deferred tax liabilities, and unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities:

	<u>Continuing operation</u>	<u>Discontinued operations</u>		<u>Total HK\$'000</u>
	<u>Printing and manufacturing of packaging products HK\$'000</u>	<u>Distribution of television business- related products HK\$'000</u>	<u>Distribution of other electronic and related products HK\$'000</u>	
Period ended 30 June 2014(Unaudited):				
Revenue from external customers	326,129	–	–	326,129
Segment profit/(loss)	63,868	–	(314)	63,554
Depreciation	19,543	–	–	19,543
Amortisation	506	–	–	506
Additions to segment non-current assets	6,113	–	–	6,113
At 30 June 2014 (Unaudited):				
Segment assets	<u>1,134,158</u>	<u>7</u>	<u>–</u>	<u>1,134,165</u>
Period ended 30 June 2013 (Unaudited):				
Revenue from external customers	390,283	25,427	162,451	578,161
Segment profit/(loss)	71,948	(5,037)	464	67,375
Depreciation	27,283	230	–	27,513
Amortisation	306	–	–	306
Other material non-cash items:	–			
Impairment of trade and other receivables, deposits and prepayment	–	–	(168,080)	(168,080)
At 31 December 2013 (Audited):				
Segment assets	<u>1,093,427</u>	<u>7</u>	<u>–</u>	<u>1,093,434</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Reconciliations of revenue, profit and loss from continuing operation:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue:		
Total turnover of continuing operation	326,129	390,283
Profit or loss:		
Total profit of continuing operation	63,868	71,948
Corporate and unallocated profit or loss	(5,387)	(8,171)
Impairment loss on available-for-sale investments	(7,364)	(379)
Loss on disposal of an associate	–	(44,413)
Consolidated total profit from continuing operation	51,117	18,985

Reconciliation of reportable segments' assets:

	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Assets:		
Total assets of reportable segments	1,134,165	1,093,434
Corporate and unallocated assets:		
Available-for-sale investments	5,679	18,440
Held-for-trading investments	446	443
Others	2,548	4,504
Consolidated total assets	1,142,838	1,116,821

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. INCOME TAX

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax from continuing operation		
– Provision for the period	8,433	14,541
Deferred tax	1,945	2,904
	<u>10,378</u>	<u>17,445</u>

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period.

According to the EIT Law, the profits of the PRC subsidiaries of the Company derived since 1 January 2008 is 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In accordance with Guo Shui Zhi Shui Han 1994 No.151 Yunnan Qiaotong Package Printing Company Limited (“Yunnan Qiaotong”), a PRC subsidiary of the Company is recognized as a high-tech enterprise and is qualified for the conditions of incentives in which the enterprise income tax is regularly reduced by 50%, Yunnan Qiaotong is subject to income tax at statutory tax rate of 25% with reduction by 50%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. DISCONTINUED OPERATIONS

Since May 2013, the Group had ceased its distribution business. As part of the restructuring of the Group as further detailed in note 2 to the Interim Financial Statements, the Group has decided to discontinue its Distribution business in order to reserve more resources to focus on the Group's core profitable Packaging Printing Business.

The results of the discontinued operations for the period, which have been included in consolidated profit or loss, are as follows:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	–	187,878
Cost of goods sold	–	(183,365)
Gross profit	–	4,513
Other income	–	1,062
Distribution and selling costs	–	(1,677)
Administrative expenses	(314)	(8,423)
Loss from operations	(314)	(4,525)
Impairments loss on trade receivables	–	(168,080)
Loss before tax	(314)	(172,605)
Finance costs	–	(5,981)
Loss before tax	(314)	(178,586)
Income tax	–	(12)
Loss for the period	(314)	(178,598)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period from continuing operation is stated after charging/(crediting) the following:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of inventories sold	218,631	260,320
Depreciation	20,603	27,283
Amortisation of prepaid lease payments	506	306
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	55,313	59,334
Retirement benefits scheme contributions	6,288	7,040
	<u>61,601</u>	<u>66,374</u>
Impairment loss on available-for-sale investments	7,364	379
Interest income	(355)	(237)
	<u><u>7,364</u></u>	<u><u>(237)</u></u>

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

10. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the period of approximately HK\$15,656,000 (six months ended 30 June 2013: loss of approximately HK\$211,598,000) attributable to owners of the Company and the weighted average number of 261,453,600 (six months ended 30 June 2013: 261,453,600) ordinary shares in issue during the period.

Diluted earnings/(loss) per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) From continuing operation

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share from continuing operation attributable to owners of the Company is based on the profit for the period of approximately HK\$15,970,000 (six months ended 30 June 2013: loss of approximately HK\$33,045,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings/(loss) per share.

Diluted earnings/(loss) per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

(c) From discontinued operation

Basic loss per share

The calculation of basic loss per share from discontinued operations attributable to owners of the Company is based on the loss for the period of approximately HK\$314,000 (six months ended 30 June 2013: approximately HK\$178,553,000) attributable to equity holders of the Company and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group has acquired property, plant and equipment of approximately HK\$6,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	867,932	834,523
Less: impairment losses	(623,497)	(623,497)
	244,435	211,026
Bills receivable	14,462	32,612
Prepayment, deposits and other receivables	13,867	14,779
	272,764	258,417

Trade receivables

The Group allows an average credit period of 30 to 120 days to its trade customers. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 to 60 days	223,846	197,323
61 to 90 days	18,634	12,157
Over 90 days	1,955	1,546
	244,435	211,026

Bills receivables

The following is an aging analysis of bills receivables:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 to 60 days	14,462	31,344
61 to 90 days	–	1,268
	14,462	32,612

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Impairment of trade receivables

The movements in impairment losses of trade receivables are as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
At beginning of the reporting period	623,497	25,649
Impairment losses recognised	—	597,848
	<hr/>	<hr/>
At the end of the reporting period	<u>623,497</u>	<u>623,497</u>

Trade receivables that are not impaired

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Neither past due nor impaired	242,480	207,617
Less than 60 days past due	—	1,863
Over 90 days past due	1,955	1,546
	<hr/>	<hr/>
	<u>244,435</u>	<u>211,026</u>

Trade receivables that were not past due relate to a wide range of customers who have no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. TRADE AND OTHER PAYABLES

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	156,465	165,175
Accruals and other payables	82,944	74,044
	239,409	239,219

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

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 60 days	78,811	87,130
61 to 90 days	2,356	2,747
Over 90 days	75,298	75,298
	156,465	165,175

14. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (2013: Nil).

15. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment		
Authorised but not contracted for	–	26,085
Contracted but not provided for	2,125	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the Interim Financial Statements, the Group entered into the following material related party transactions.

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental expenses paid to a related company	<u>259</u>	<u>219</u>

An ex-director of the Company, Mr. Hui King Chun, who has been removed as a director of the Company on 27 June 2014, has significant influence over the related company.

- (b) At the end of the reporting period, the Group had an outstanding loan balance of approximately HK\$9,000,000, borrowed from an independent third party, which was guaranteed by Mr. Hui King Chun and a property held by a company which is controlled by Mr. Hui King Chun.
- (c) At the end of the reporting period, the Company had an outstanding loan balance of approximately HK\$29,000,000, borrowed from an independent third party, which was secured by share charge of the issued shares of Oncapital Limited, a company controlled by Mr. Hui King Chun, and personal guarantee executed by Mr. Hui King Chun.
- (d) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, the senior management and all of the highest paid employees, is as follows:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	831	1,672
Post-employment benefits	<u>–</u>	<u>15</u>
	<u>831</u>	<u>1,687</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Restructuring of the Group, and further details of which are stated in note 2 to the Interim Financial Statements.

18. COMPARATIVE FIGURES

The comparative statement of profit or loss has been re-presented as if the operation discontinued for the last period had been discontinued at the beginning of the comparative period (note 7).

19. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 January 2015.