

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the “Board”) of Kong Sun Holdings Limited (the “Company”) would like to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	3	<u>3,426</u>	<u>4,157</u>
Sales of life-like plants		3,104	3,047
Properties rental income		<u>322</u>	<u>1,110</u>
		3,426	4,157
Cost of sales		<u>(3,104)</u>	<u>(3,413)</u>
Gross profit		322	744
Other gains and losses	5	1,547	(1,783)
Loss on fair value changes of held-for-trading investments		(98)	(83)
Impairment loss on available-for-sale financial assets		(3,200)	(755)
Distribution and selling expenses		(52)	(366)
Administrative expenses		(6,747)	(19,938)
Finance costs	6	<u>(145)</u>	<u>(160)</u>
Loss before tax	7	(8,373)	(22,341)
Income tax credit	8	<u>160</u>	<u>173</u>
Loss for the period attributable to owners of the Company		<u>(8,213)</u>	<u>(22,168)</u>
Loss per share			
Basic	9	HK(0.65) cents	HK(3.08) cents
Diluted	9	HK(0.65) cents	HK(3.08) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2013*

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(8,213)</u>	<u>(22,168)</u>
Other comprehensive expense		
Exchange differences arising on translation of foreign operations	(11)	(17)
Gain on fair value changes of available-for-sale financial assets	4,759	–
Reclassification to consolidated income statement: Impairment loss on available-for-sale financial assets	<u>3,200</u>	<u>–</u>
Other comprehensive income (expense) for the period (net of tax)	<u>7,948</u>	<u>(17)</u>
Total comprehensive expenses for the period attributable to owners of the Company	<u><u>(265)</u></u>	<u><u>(22,185)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	11	92,800	92,800
Property, plant and equipment	12	44,718	45,697
Prepaid lease payments		13,239	13,475
Available-for-sale financial assets	13	35,171	22,332
Deposit paid for acquisition of property, plant and equipment		–	114
		185,928	174,418
Current assets			
Inventories		1,398	1,450
Trade receivables	14	575	694
Other receivables, prepayments and deposits		3,670	4,048
Prepaid lease payments		473	473
Held-for-trading investments		1,035	1,133
Pledged bank deposits		1,161	1,161
Bank balances and cash		94,060	105,643
		102,372	114,602
Current liabilities			
Trade and other payables	15	12,658	13,344
Bank borrowings		8,275	8,829
Obligations under finance leases		189	9
		21,122	22,182
Net current assets		81,250	92,420
Total assets less current liabilities		267,178	266,838
Non-current liabilities			
Obligations under finance leases		789	23
Deferred tax liabilities		7,561	7,722
		8,350	7,745
Net assets		258,828	259,093
Capital and reserves			
Share capital	16	14,690	14,690
Reserves		244,138	244,403
Total equity		258,828	259,093

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties which are measured at fair values.

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for and disclosures about fair value measurements and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 17. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The application of other new and revised HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of life-like plants	3,104	3,047
Properties rental income	322	1,110
	3,426	4,157

4. SEGMENT INFORMATION

The Group is organized into three (as at 30 June 2012: three) reportable operating segments. The reportable operating segments and their principal activities are as follows:

- (a) Manufacturing and sales of life-like plants
- (b) Properties investment
- (c) Securities investment

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the period under review:

For the six months ended 30 June (Unaudited)

	Properties investment		Manufacturing and sales of life-like plants		Securities investment		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	<u>322</u>	<u>1,110</u>	<u>3,104</u>	<u>3,047</u>	<u>–</u>	<u>–</u>	<u>3,426</u>	<u>4,157</u>
Segment revenue	<u>322</u>	<u>1,110</u>	<u>3,104</u>	<u>3,047</u>	<u>–</u>	<u>–</u>	<u>3,426</u>	<u>4,157</u>
Segment profit (loss)	<u>132</u>	<u>918</u>	<u>(4,704)</u>	<u>(20,354)</u>	<u>6,064</u>	<u>(773)</u>	<u>1,492</u>	<u>(20,209)</u>
Unallocated corporate operating income							3	609
Unallocated corporate operating expenses							(9,723)	(2,581)
Finance costs							(145)	(160)
Loss before tax							<u>(8,373)</u>	<u>(22,341)</u>

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Segment assets		
Manufacturing and sales of life-like plants	54,530	64,724
Properties investment	92,957	92,976
Securities investment	83,593	96,414
Total segment assets	231,080	254,114
Unallocated corporate assets	57,220	34,906
Consolidated total assets	288,300	289,020
	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Segment liabilities		
Manufacturing and sales of life-like plants	7,196	6,389
Properties investment	100	165
Securities investment	—	—
Total segment liabilities	7,296	6,554
Unallocated corporate liabilities	22,176	23,373
Consolidated total liabilities	29,472	29,927

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net foreign exchange gain (loss)	543	(648)
Gain (loss) on disposal of property, plant and equipment	131	(1,849)
Interest income	797	540
Vehicle rental income	73	69
Sundry income	3	105
	1,547	(1,783)

6. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	138	119
Finance leases	7	41
	<u>145</u>	<u>160</u>

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting) the following items:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	–	–
Staff costs:		
Directors' remuneration	1,180	1,050
Wages, salaries and other benefits	2,624	3,067
Retirement benefit costs (excluding directors)	77	82
	<u>3,881</u>	<u>4,199</u>
Total staff costs	3,881	4,199
Cost of inventories recognised as expenses	3,104	3,413
Depreciation of property, plant and equipment	2,202	2,602
Amortisation of prepaid lease payments	236	236
Inventory written off	–	8,727
Operating lease rental on rented premises	313	467
	<u>313</u>	<u>467</u>

8. INCOME TAX CREDIT

Income tax for the period ended 30 June 2013 represents the net amount of deferred taxation credit of approximately HK\$160,000 (for the six months ended 30 June 2012: HK\$180,000) and Hong Kong profits tax of Nil (for the six months ended 30 June 2012: HK\$7,000).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss for the period attributable to the owners of the Company for the six months ended 30 June 2013 of approximately HK\$8,213,000 (2012: HK\$22,168,000) and on the weighted average of approximately 1,257,318,000 (2012: 718,962,000) ordinary shares issued during the period.

As at 30 June 2013, the denominators used are the same for both basis and diluted loss per share.

The computation of diluted loss per share for the period ended 30 June 2012 does not assume the exercise of the Company's outstanding share options and conversion of Company's outstanding warrants since their exercise would result in a decrease in loss per share.

10. DIVIDEND

No dividend were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

11. INVESTMENT PROPERTIES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Investment properties, stated at fair value	92,800	92,800

At 30 June 2013, the directors have considered that the fair value of the Group's investment properties do not have significantly change from its carrying amount of approximately HK\$92,800,000 as at 31 December 2012 and accordingly, no fair value change has been recognised in profit or loss in the current period.

The investment properties of the Group are situated in Hong Kong and held under long-term leases.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment at a cost of approximately HK\$2,455,000 (for the six months ended 30 June 2012: approximately HK\$11,181,000). Certain motor vehicles and furniture and fixture with a net book value of HK\$1,229,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$11,118,000), resulting in a net gain on disposal of HK\$131,000 (six months ended 30 June 2012: loss of HK\$1,849,000).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	35,171	22,332

Available-for-sale financial assets comprise equity securities listed in Hong Kong and are stated at fair values which are based on the quoted market bid prices on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

14. TRADE RECEIVABLES

The Group allows an average credit period ranging from 0 day to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the period/year.

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
1–30 days	574	681
31–90 days	1	6
91–180 days	–	7
181–360 days	–	–
Over 1 year	–	–
	<u>575</u>	<u>694</u>

15. TRADE AND OTHER PAYABLES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade payables	113	58
Other payables and accrued charges	12,545	13,286
	<u>12,658</u>	<u>13,344</u>

The following is an aged analysis of trade payables presented on the invoice date at the end of the period/year.

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
1–30 days	111	58
31–90 days	2	–
91–180 days	–	–
Over 180 days	–	–
	<u>113</u>	<u>58</u>

The average credit period on purchase of goods is 30 to 90 days.

16. SHARE CAPITAL

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:		
20,000,000,000 (2012: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
	Number of shares '000	Share capital HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2013 and 30 June 2013	<u>1,468,962</u>	<u>14,690</u>

17. FAIR VALUE MEASUREMENT

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

18. OPERATING LEASE

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	616	616
In the second to fifth years	<u>765</u>	<u>1,071</u>
	<u>1,381</u>	<u>1,687</u>

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 3 years (2012: 3 years) with fixed monthly rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	578	489
In the second to fifth years	230	115
	808	604

As at 30 June 2013, the investment properties are expected to generate rental yields of 0.69% (as at 31 December 2012: 1.85%) or an ongoing basis. Leases are negotiated for the terms ranged from 1 to 3 years with fixed monthly rentals.

19. LITIGATION

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang (“CYW”), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited (“Xswim Holding”) which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu as 1st defendant, the Company’s former director, and the Company as 2nd defendant for recovering a sum of HK\$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors of the Company, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries (“Xswim Group”) advanced the Company an aggregate of approximately HK\$15,241,000. In 2002, the Company repaid Xswim Group HK\$5,600,000 leaving a balance of approximately HK\$9,641,000 outstanding (the “Outstanding Balance”) and requested CYW to advance HK\$2,000,000 (the “Intended Loan”) to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK\$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors of the Company, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003. As at 31 December 2010 and 2009, with the advices by the Company’s legal adviser, the directors of the Company were of the opinion that the Group has proper and valid defences to the CYW’s action and accordingly, no provision for loss had been accounted for in these condensed consolidated financial statements.

20. RELATED PARTIES TRANSACTIONS

(a) Related party transactions

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

Name of the Company	Nature of transactions	Relationship	Common directorship	For the six months ended 30 June	
				2013	2012
				(Unaudited) HK\$'000	(Unaudited) HK\$'000
M Dream Inworld Limited	Rental income	Related Company	Mr. Yu Pak Yan, Peter	17	34

(b) Compensation of directors of the Company and key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term benefits	<u>1,110</u>	<u>1,220</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in properties investment, manufacturing and sales of life-like plants and securities investment.

The turnover of the Group for the six months ended 30 June 2013 amounted to approximately HK\$3,426,000. Loss attributable to shareholders had been decreased to approximately HK\$8,213,000 from approximately HK\$22,168,000 recorded for the period ended 30 June 2012. The substantial decrease of loss for the period was mainly caused by (i) an absence of loss on written off of property, plant and equipment and inventories made in the last corresponding period; and (ii) impairment loss on available-for-sale financial assets.

Properties investment

The Group's properties investment business had contributed approximately HK\$322,000 to the total revenue of the Group for the six months ended 30 June 2013, which had reduced when compared with the corresponding period in 2012 due to investment properties not fully occupied during the period.

Life-like plants business

The life-like plants business had contributed approximately HK\$3,104,000 to the total revenue of the Group for the six months ended 30 June 2013. The turnover of the segment was relatively stable with slightly increased by approximately HK\$57,000 when compared with the corresponding period in 2012 of approximately HK\$3,047,000. After the termination of the production line of Christmas trees in last year, the Group is focusing on improving the business of artificial flowers. However, the Group is still facing the challenges of substantial increase in labour and operating costs from minimum wages rise in the People's Republic of China (the "PRC"), which had affected the results of the manufacturing business.

Securities investment

As at 30 June 2013, the Group managed a portfolio of investments in capital market with fair value of approximately HK\$36,206,000, mainly comprised shares listed in Hong Kong. Looking ahead, the market conditions remain somewhat uncertain, management will be watchful on market developments and continues to be prudent in managing its investment portfolio and the Group will keep focus on improving overall asset quality.

Prospects

The Group is now concentrating on its properties investment, manufacturing and sales of life-like plants business and securities investment.

The Group intends to utilize the net proceeds from placing for acquisition of property. However, the imposition of the Buyer's Stamp Duty on corporate buyers in Hong Kong during the year has brought a halt to the property market. The Group remains positive about the local

property market and will be continue seeking opportunities in committing new property with good commercial value which will bring stable recurrent rental income to the Group.

Both the United States and European markets remained cautions, this uncertain trading environment will continue to add pressure on our life-like plant business. Despite the difficulties ahead, the Group will continue to closely monitor the economic environment and expand the customer base in the life-like plants business so as to keep its competitiveness in the market.

The Group will cautiously explore investment opportunities so as to produce a steady growth in the Group's long term performance.

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

Capital Structure

The Group had no change in capital structure for the six months ended 30 June 2013.

Liquidity and financial resources

As at 30 June 2013, the total shareholders fund of the Group amounted to approximately HK\$258,828,000, while there was approximately HK\$259,093,000 as at 31 December 2012.

As at 30 June 2013, the Group's debt ratio, which was calculated by the total liabilities over the total equity, was decreased from the ratio of 0.12 as at 31 December 2012 to 0.11 as at 30 June 2013.

For the six months ended 30 June 2013, most assets, liabilities and transactions of the Group were denominated in Renminbi and Hong Kong dollars. The Group had not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate active to reduce the exchange risks.

Investment position and planning

The Group had no change in the composition during the six months ended 30 June 2013.

During the six months ended 30 June 2012, the Group spent approximately HK\$2,455,000 for acquisition of fixed assets.

The Group has invested in shares of certain companies that are traded over the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 30 June 2013, the Group held equity securities as long-term and short-term investments with fair value of approximately HK\$35,171,000 and HK\$1,035,000, respectively.

Charge on the Group's assets and contingent liabilities

As at 30 June 2013, the Group's bank deposits in the amount of approximately HK\$1,161,000 (31 December 2012: approximately HK\$1,161,000) had been pledged to bank for the requirement of the customs authorities of the PRC.

As at 30 June 2013, the Group has pledged land and buildings with net book value of approximately HK\$13,463,000 (31 December 2012: approximately HK\$13,752,000) to secure general banking facilities granted to the Group.

As at 30 June 2013, the Group had no significant contingent liabilities (31 December 2012: Nil).

Employees and remuneration policy

As at 30 June 2013, the Group had approximately 122 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with built-in merit components incorporated in annual review to reward and motivate individual performance.

Connected transactions

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2013, none of the directors or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2013, no natural person or any entity had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under provision of Division 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, nor there was any substantial shareholder whose detail was required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme (the “Share Option Scheme”) was adopted by the Company on 22 July 2009, which replaced its old share option scheme adopted in 2003. Details of the movements in the Company’s Share Option Scheme for the six months ended 30 June 2013 are as follows:

Category	Date of grant	Exercise period	Outstanding at beginning of period	Granted during period	Exercised during period	Lapsed during period	Outstanding at end of period
Employees and others							
In aggregate	22.2.2010	22.2.2010 to 21.2.2013	34,208,382	–	–	(34,208,382)	–
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average exercise price			<u>HK\$0.422</u>	<u>n/a</u>	<u>n/a</u>	<u>HK\$0.422</u>	<u>–</u>

CORPORATE GOVERNANCE CODE

The Board acknowledges the important of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing the shareholders’ value and safeguarding interest of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “CG Code”) during the period under review, save for the deviation from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraph in this report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive officer”. Mr. Chan Chi Yuen, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by

rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the six months ended 30 June 2013.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with the management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgmental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 June 2013.

On behalf of the Board
Chan Chi Yuen
Chairman

Hong Kong, 23 August 2013

As at the date of this announcement, the Board comprises of two executive directors, Mr. Chan Chi Yuen and Mr. Yu Pak Yan, Peter and three independent non-executive directors, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.