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CORPORATE INFORMATION

DIRECTORS

Executive directors

Ms. Poon Ho Yee Agnes (*Managing Director*)
Mr. Lo Yuen Wa Peter
Ms. Sun Dixie Hui

Non-executive director

Dr. Lam How Mun Peter (*Chairman*)

Independent non-executive directors

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene (*Chairman*)
Mr. Cheung Wing Ping
Mr. To Shing Chuen

NOMINATION COMMITTEE

Dr. Lam How Mun Peter (*Chairman*)
Ms. Poon Ho Yee Agnes
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. To Shing Chuen (*Chairman*)
Dr. Lam How Mun Peter
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene

AUTHORISED REPRESENTATIVES

Ms. Poon Ho Yee Agnes
Ms. Sun Dixie Hui

COMPANY SECRETARY

Ms. Fung Pui Ling

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas, Hong Kong Branch

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office

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

WEBSITE

www.chinaopto.com.hk

STOCK CODE

1332

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors (the “Directors” or the “Board”) of China Opto Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016.

BUSINESS REVIEW

During the period under review, the principal activities of the Group were the manufacture of packaging products, treasury investment, and trading of fashion apparels. The loss attributable to the shareholders was HK\$282.8 million (six months ended 30 June 2015: profit of HK\$341.4 million). The substantial deterioration in the financial results was mainly due to the loss on disposal of listed investments in the early half of this period. Conversely, the significant profit in the same period of last year was derived from one-off gains on disposal of interests in subsidiaries. The Group reported HK\$101.4 million in negative revenue (six months ended 30 June 2015: a positive revenue of HK\$126.4 million), arising from the significant increase in net loss on disposal of listed investments as compared to the previous corresponding period.

Clouded by global economic and political volatility from this year on, the Group faced a tough business environment. Influenced by the weak momentum of the equity market due to poor sentiment and worse-than-expected key economic data in China and the Eurozone, stock prices had fallen since the beginning of this year. In light of tremors across the stock market, all listed securities were sold to control the downside risk of the financial market.

The global economic headwinds such as deteriorating GDP growth, risk of deflation and slumping trade flows discouraged sales of consumer items, which in turn adversely affected the manufacturing industry. The Group’s packaging products experienced the declining demand in major markets and hence its sales for Hong Kong and Mainland China, Europe, North and South America regions dropped by 25.0%, 27.0% and 26.4% respectively as compared to those in the same period of last year.

Addressing the disappointing global market conditions, the Group has ventured into an apparel products business operating with an online shopping platform, so as to cope with the strong drive of e-commerce, which is a response to customers’ demands for an omni-channel experience.

FINANCIAL REVIEW

The packaging business reported a revenue of HK\$129.7 million for the period ended 30 June 2016, a decrease of 26.0% as compared to HK\$175.2 million for the same period of last year due to weak aggregate demand of consumer products and struggling recovery in major economies. Hong Kong and Mainland China were still the major market segment, accounting for 43.9% of this business segment revenue, while Europe and North and South America accounted for 31.0% and 16.6% respectively. This segment recorded a net profit of HK\$14.8 million (six month ended 30 June 2015: HK\$10.7 million), an increase of HK\$4.1 million attributable to the bigger gain of HK\$1.9 million on the disposal of equity interest in subsidiaries in spite of the shrunken revenue. Stringent cost control also helped during the interim periods.

The Group has expanded its business portfolio into the design and sale of fashion wears mainly in Hong Kong and Mainland China to provide a more diversified income source. The Group completed the acquisition of a group of four companies which sold apparel products under the brand ‘World We Made’ (collectively, referred to as the “WWM” group). The WWM group principally offered an online shopping platform for selling fashion wears to customers. Since the acquisition, the WWM group has commenced limited scale business activities and is expected to actively pursue the marketing plan in late fall and winter. For the six months ended 30 June 2016, the business segment recorded a turnover of HK\$0.1 million and reported a loss of HK\$12.0 million which came mainly from operating expenses.

The financial performance of the securities trading and investment deteriorated due to the stock market fall in the period under review as investors worried about the slow economic growth in China and, signs of recession appeared in the Eurozone. For the six months ended 30 June 2016, the fair value loss on listed equity investment at fair value through profit and loss, together with the loss on disposal of available-for-sale investments were HK\$232.9 million and HK\$5.5 million (six months ended 30 June 2015: a loss of HK\$50.1 million and a gain of HK\$34.6 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

During the period the Group formed a joint venture company with Freeman Financial Corporation Limited, in preparation to provide financial services and money lending business to investors with a capital contribution of HK\$150 million by each party. Affected by the downturn of the financial market, a loss of HK\$18.7 million was shared from this joint venture at the period end.

As at 30 June 2016, the Group held unlisted investments of approximately HK\$301.1 million, details of which were set out as follows:

Nature of investments	Number of shares held	Percentage of shareholding	Impairment loss for six months ended	Fair value/carrying amount		Percentage to the Group's net assets	Investment cost
	as at 30 June 2016	as at 30 June 2016	30 June 2016	as at 30 June 2016	31 December 2015	as at 30 June 2016	
			HK\$'000	HK\$'000	HK\$'000		HK\$'000
Available-for-sale investments							
<i>Equity Shares</i>							
Freewill Holdings Limited ("FHL")	14,550,000	2.54	18,915	61,110	80,025	10.4	80,025
Co-Lead Holdings Limited ("Co-Lead")	225	3.95	-	90,000	90,000	15.4	90,000
			18,915	151,110	170,025	25.8	170,025
Financial assets at fair value through profit or loss							
<i>Convertible Notes</i>							
Win Wind Capital Limited ("Win Wind CN")			-	150,000	150,000	25.7	150,000
			18,915	301,110	320,025	51.5	320,025

FHL is principally engaged in the business of property investment, investment advisory and financial services, investment in securities trading, and money lending.

Co-Lead is principally engaged in securities trading and investment holding business. Its investment portfolio consists of listed and unlisted securities.

Win Wind CN is the convertible notes in the principal amount of HK\$150.0 million issued by Win Wind Capital Limited ("Win Wind"), bearing an interest at the rate of 2% per annum. Win Wind is principally engaged in the financial services sector and money lending activities. After the reporting period the Win Wind CN was fully redeemed by Win Wind.

During the period under review, an impairment loss of HK\$18.9 million was recognised on the Group's investment in FHL for the decrease in fair value of their underlying investment assets. As long as the outlook for the global economy remains subdued and uncertain in the remainder of 2016, the performance of these investments will be highly vulnerable to the geopolitical crisis and stagnant economic growth which increase threat to the income earnings. The Group will closely monitor the investment portfolio from time to time to assess and manage actively the risks involved.

LIQUIDITY AND FINANCE RESOURCES

The Group's financial position remains sound and healthy. As at 30 June 2016, the Group had no borrowings (31 December 2015: HK\$201.1 million) and had cash balances amounting to HK\$72.2 million (31 December 2015: HK\$36.2 million). The gearing ratio (net borrowings to shareholders' equity) was zero as at 30 June 2016 (31 December 2015: 21.2%).

During the period under review, the Company had placed 575,063,972 shares at a subscription price of HK\$0.16 per share to raise net cash proceeds of approximately HK\$92.0 million.

PLEDGE OF ASSETS

As at 30 June 2016, the Group did not have any charge on its assets (31 December 2015: HK\$542.4 million).

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any contingent liabilities (31 December 2015: Nil).

FOREIGN EXCHANGE RISK

Most of the Group's revenues are transacted in US dollars and Hong Kong dollars while expenses are mainly in US dollars, Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the period. The Group still monitors fluctuations in exchange rates closely and manages the currency risk involved actively.

EMPLOYEES

As at 30 June 2016, the Group had a total workforce of approximately 896 employees in Hong Kong and Mainland China. The Group remunerates its staff based on their merit, qualification, competence and prevailing market salaries trend. In addition to salary and year-end bonus, the remuneration packages also comprised of option scheme, provident fund contributions, medical and life insurances.

PROSPECTS

The external outlook is highly challenging. The 2016 US presidential election, China's economic slowdown and the U.K.'s decision to exit the European Union are driving the volatile and unstable global economy and financial investment market. Investors are concerned with the slowing economy which may lead to recession. Consumer spending is likely to remain weak. In the meantime, the Group will continue to improve production efficiencies, and strengthen the relationship with existing customers and broaden the customer base. Looking ahead, the Group will strive to explore business expansion and investment opportunities to maximise shareholders' return.

After the period end, the Group has completed the subscription agreement with Win Wind, a wholly-owned subsidiary of Enerchina Holdings Limited for the shares swap. At completion date, the Group holds 11.78% interest in Win Wind and Win Wind owns 28.56% interest in the Company. Win Wind has become a substantial shareholder of the Company and will provide valuable support to the Company for the business expansion.

Furthermore, on 10 August 2016, the Company entered into a conditional agreement to acquire indirectly a 100% interest in 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd. "SHTY"), a wholly owned foreign enterprise established in the People's Republic of China (the "PRC"), the principal business of which is the provision of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on its "one product, one QR code" through the PRC company. After considering the prospects of the QR code market of the PRC, the Board considers that the acquisition is a good opportunity for the Group to upgrade the information technology capabilities of its packaging business and is of the view that the acquisition is consistent with the development strategy of the Company. It is expected that the acquisition will contribute towards the revenue, profits and customer-base of the Group's packaging business going forward. The acquisition has been completed on 19 August 2016 and SHTY becomes the subsidiary of the Company thereafter.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2016, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of directors	Capacity in which interests are held	Number of shares held	(Note) Approximate percentage
Dr. Lam How Mun Peter	Beneficial owner	398,150	0.01
Ms. Poon Ho Yee Agnes	Beneficial owner	130,000	0.00

Note: Approximate percentage refers to the number of shares which a director held expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme on 18 May 2012, details of which were disclosed in the Company's prospectus dated 28 June 2012 and are set out in note 16 to these unaudited interim condensed consolidated financial statements. No share options were granted, exercised, cancelled or lapsed under the share option scheme during the six months ended 30 June 2016 and there were no outstanding share options as at 30 June 2016.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2016, the Company had not been notified of any interests or short positions of any person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 2016.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016.

APPRECIATION

On behalf of the Board, I would like to express our utmost gratitude to our customers, bankers, suppliers, strategic partners and most valued shareholders for their continued support. We also wish to thank the Group's management and staff for their professionalism, loyalty and contribution to the Group.

By order of the Board
Lam How Mun Peter
Chairman

Hong Kong, 26 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
REVENUE	4	(101,382)	126,384
Cost of sales		(101,938)	(145,516)
Gross loss		(203,320)	(19,132)
Other income and gains	4	8,574	389,526
Selling and distribution expenses		(8,475)	(6,559)
Administrative expenses		(31,986)	(18,634)
Other expenses		(24,510)	(3,285)
Finance costs		(4,322)	–
Share of losses of a joint venture		(18,722)	–
PROFIT/(LOSS) BEFORE TAX	5	(282,761)	341,916
Income tax expense	6	(37)	(598)
PROFIT/(LOSS) FOR THE PERIOD		(282,798)	341,318
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(8,800)	42,252
Reclassification adjustment for losses/(gains) on disposal included in profit or loss		5,390	(34,953)
Exchange differences on translation of foreign operations		(3,410) (177)	7,299 (35)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		(3,587)	7,264
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(286,385)	348,582
Profit/(loss) attributable to:			
Owners of the parent		(282,798)	341,374
Non-controlling interests		–	(56)
		(282,798)	341,318
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(286,385)	348,638
Non-controlling interests		–	(56)
		(286,385)	348,582
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	8		
Basic (HK cents)		(5.66)	9.50
Diluted (HK cents)		(5.66)	9.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	10,438	6,195
Available-for-sale investments	10	151,110	195,065
Investment in a joint venture	11	132,354	–
Goodwill	17	3,875	–
Prepayments		2,196	2,196
Total non-current assets		299,973	203,456
CURRENT ASSETS			
Inventories		48,708	27,989
Trade and bills receivables	12	47,377	37,932
Loan and interest receivables		–	30,223
Prepayments, deposits and other receivables		12,139	9,371
Financial assets at fair value through profit or loss	13	150,000	667,376
Cash and cash equivalents		72,194	36,179
Total current assets		330,418	809,070
Assets of a disposal group classified as held for sale		–	2,278
Total current assets		330,418	811,348
CURRENT LIABILITIES			
Trade and bills payables	14	24,007	16,343
Other payables and accruals		18,776	18,014
Tax payable		117	138
Interest-bearing other borrowings		–	201,053
Total current liabilities		42,900	235,548
NET CURRENT ASSETS		287,518	575,800
TOTAL ASSETS LESS CURRENT LIABILITIES		587,491	779,256
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,756	146
Net assets		584,735	779,110
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	51,037	45,286
Reserves		533,698	733,824
Total equity		584,735	779,110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent																			
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000										
At 1 January 2015	14,377	18,733	45,291	(12,861)	1,522	42	205,951	273,055	1,974	275,029										
Profit for the period	-	-	-	-	-	-	341,374	341,374	(56)	341,318										
Other comprehensive income/(loss) for the period:																				
Available-for-sale investments:																				
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	42,252	-	-	42,252	-	42,252										
Reclassification adjustment for gains on disposal included in profit or loss	-	-	-	-	(34,953)	-	-	(34,953)	-	(34,953)										
Exchange differences on translation of foreign operations	-	-	-	-	-	(35)	-	(35)	-	(35)										
Total comprehensive income for the period	-	-	-	-	7,299	(35)	341,374	348,638	(56)	348,582										
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,918)	(1,918)										
Bonus issues	21,564	-	-	(21,564)	-	-	-	-	-	-										
At 30 June 2015	35,941	18,733	45,291	(34,425)	8,821	7	547,325	621,693	-	621,693										

	Attributable to owners of the parent																			
	Note	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Other equity instrument (Unaudited) HK\$'000 (note 15)	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000										
At 1 January 2016		45,286	243,779	45,291	(34,425)	14,915	3,410	(356)	461,210	779,110										
Loss for the period		-	-	-	-	-	-	-	(282,798)	(282,798)										
Other comprehensive income/(loss) for the period:																				
Available-for-sale investments:																				
Change in fair value of available-for-sale investments, net of tax		-	-	-	-	-	(8,800)	-	-	(8,800)										
Reclassification adjustment for losses on disposal included in profit or loss		-	-	-	-	-	5,390	-	-	5,390										
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(177)	-	(177)										
Total comprehensive loss for the period		-	-	-	-	-	(3,410)	(177)	(282,798)	(286,385)										
Issue of shares	15	5,751	101,174	-	-	(14,915)	-	-	-	92,010										
At 30 June 2016		51,037	344,953*	45,291*	(34,425)*	-*	-*	(533)*	178,412*	584,735										

* These reserve accounts comprise the consolidated reserves of HK\$533,698,000 (31 December 2015: HK\$733,824,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cash generated from operations		304,333	145,913
Interest received		1,583	1,333
Profits tax refund		–	63
Net cash flows from operating activities		305,916	147,309
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	9	(1,781)	(179)
Proceeds from disposal of items of property, plant and equipment		–	89
Purchase of an available-for-sale investment		–	(131)
Proceeds from disposal of available-for-sale investments		16,179	78,063
Investment in a joint venture		(150,000)	–
Acquisitions of subsidiaries	17	(30,442)	–
Disposal of subsidiaries	18	9,573	95,246
Disposal of an associate		–	5,744
Decrease in pledged time deposits		–	3,023
Net cash flows from/(used in) investing activities		(156,471)	181,855
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		92,010	–
Proceeds from issue of unlisted warrants		–	5,751
Repayment of interest-bearing other borrowings		(205,375)	–
Net cash flows from/(used in) financing activities		(113,365)	5,751
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		36,080	334,915
Cash and cash equivalents at beginning of period		36,179	37,034
Effect of foreign exchange rate changes, net		(65)	(46)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		72,194	371,903

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. CORPORATE INFORMATION

China Opto Holdings Limited (the “Company”) (formerly known as China Optoelectronics Holding Group Co., Limited) was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) was involved in the following principal activities:

- Design, development, manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
- Investments and trading in securities and money lending
- Design, development and sale of fashion wears and accessories

2. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and revised HKFRSs for the first time for the current period financial information, as further explained below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

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 the new and revised HKFRSs but is not yet in a position to state whether the new and revised HKFRSs would have a potential impact on its results of operations and financial position.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- Manufacturing of packaging products segment – Design, development, manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
- Treasury investment segment – Investments and trading in securities and money lending
- Trading of apparel products segment – Design, development and sale of fashion wears and accessories

On 7 March 2016, the Group entered into a conditional sale and purchase agreement (the “S&P Agreement”) with four independent parties to acquire the entire equity interests of Gilderton Limited, Beijing AiDiOuYa Trading Co., Ltd.*, QiaoDeng (Beijing) Trading Co., Ltd.* and Tre 29 Group (Hong Kong) Limited (collectively, the “WWM Group”). The WWM Group is principally engaged in design, development and sale of fashion wears and accessories in Hong Kong and Mainland China. The acquisition was completed on the same date and the Group has commenced the trading of apparel products business since then.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit before tax except that head office and corporate income and expenses are excluded from such measurement.

* Direct translation from the Chinese name which is for identification purposes only

Information regarding these reportable segments is presented below.

Reportable segment information

	For the six months ended 30 June							
	Manufacturing of packaging products		Treasury investment		Trading of apparel products		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
Segment revenue	129,666	175,176	(231,187)	(48,792)	139	–	(101,382)	126,384
Other revenue	7,495	5,871	–	34,587	2	–	7,497	40,458
Total	137,161	181,047	(231,187)	(14,205)	141	–	(93,885)	166,842
Segment results	14,758	10,746	(236,711)	(14,498)	(12,042)	–	(233,995)	(3,752)
Corporate and unallocated income							1,077	349,068
Corporate and unallocated expenses							(45,521)	(3,400)
Finance costs							(4,322)	–
Profit/(loss) before tax							(282,761)	341,916

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4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; fair value losses on financial assets at fair value through profit or loss, net; and interest income from convertible notes and loans receivables.

An analysis of the Group's revenue, other income and gains is as follows:

	Note	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Revenue			
Sale of packaging products		129,666	175,176
Sale of apparel products		139	–
Fair value losses on financial assets at fair value through profit or loss, net*		(232,892)	(50,052)
Interest income from convertible notes		1,512	–
Interest income from loans receivables		193	1,260
		(101,382)	126,384
Other income and gains			
Bank interest income		70	73
Sale of scrap materials		74	177
Gain on deemed partial disposal of a joint venture		1,076	–
Gain on disposal of subsidiaries	18	7,295	343,697
Fair value gain on financial liability at fair value through profit or loss		–	4,722
Foreign exchange differences, net		–	154
Gain on disposal of items of property, plant and equipment		–	89
Gain on disposal of associates		–	5,744
Gain on disposal of available-for-sale investments		–	34,587
Gross rental income		–	240
Others		59	43
		8,574	389,526

* The gross proceeds from the disposal of listed equity investments at fair value through profit or loss for the period ended 30 June 2016 were approximately HK\$307,112,000 (six months ended 30 June 2015: HK\$349,874,000).

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation	1,080	1,678
Amortisation of prepaid land lease payments	–	201
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	33,470	37,664
Pension scheme contributions	4,077	4,378
	37,547	42,042
Foreign exchange differences, net	203*	(154)
Impairment/(write-back of impairment) of trade receivables	(59)*	3,285*
Loss/(gain) on disposal of available-for-sale investments	5,451*	(34,587)
Impairment of an available-for-sale investment	18,915*	–

* These items are included in "Other expenses" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The Group's subsidiaries, which are established in the People's Republic of China (the "PRC"), have tax losses brought forward from prior years to offset against their assessable profits generated during the period.

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current charge/(credit) for the period		
Hong Kong	(21)	582
Deferred	58	16
Total tax charge for the period	37	598

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7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount for the six months ended 30 June 2016 is based on the loss attributable to ordinary equity holders of the parent of HK\$282,798,000 (six months ended 30 June 2015: profit attributable to ordinary equity holders of the parent of HK\$341,374,000), and the weighted average number of ordinary shares of 4,996,263,218 (six months ended 30 June 2015: 3,594,149,825) in issue during the period ended 30 June 2016.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2016 in respect of a dilution as the impact of the equity-settled forward contract has an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the fair value gain on the Share Warrants (as defined in note 15). The weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share has been retrospectively adjusted to reflect the impact of the share subdivision and the bonus issues taken place during the six months ended 30 June 2015.

The calculations of basic and diluted earnings per share amounts for six months ended 30 June 2015 are based on:

	(Unaudited) HK\$'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in calculation of basic earnings per share calculation	341,374
Less: Fair value gain on the Share Warrants	(4,722)
Profit attributable to ordinary equity holders of the parent before the fair value gain on the Share Warrants	336,652
	Number of shares (Unaudited)
Shares	
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	3,594,149,825
Effect of dilution – weighted average number of ordinary shares: Share Warrants	83,609
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	3,594,233,434

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred HK\$1,781,000 (six months ended 30 June 2015: HK\$179,000) on the acquisition of items of property, plant and equipment. Property, plant and equipment with carrying amount of HK\$2,278,000 (six months ended 30 June 2015: HK\$29,454,000) were disposed of in relation to the Group's disposal of subsidiaries (note 18) during the six months ended 30 June 2016 and 2015, respectively.

10. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Listed equity investments, at fair value	(a)	–	25,040
Unlisted equity investments, at cost	(b)	170,025	170,025
		170,025	195,065
Less: Impairment	(b)	(18,915)	–
		151,110	195,065

Notes:

- (a) During the period, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$8,800,000 (six months ended 30 June 2015: gross gain of HK\$42,252,000), of which HK\$5,390,000 (six months ended 30 June 2015: HK\$34,953,000) was reclassified from other comprehensive income to profit or loss for the period.
- (b) For the available-for-sale investments at cost less impairment, the management reviews the latest available financial information about the investees' financial positions and observable data such as net asset value per share. During the six months ended 30 June 2016, a significant decline in the carrying amount of net assets of an unlisted equity investment was identified by the directors of the Company. The directors of the Company considered that such decline is an objective evidence of impairment and an impairment loss of HK\$18,915,000 (six months ended 30 June 2015: Nil) has been recognised in profit or loss.

As at 31 December 2015, the Group's listed available-for-sale investments with an aggregate carrying value of HK\$25,040,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

As at 30 June 2016, certain unlisted equity investments with an aggregate carrying amount of HK\$151,110,000 (31 December 2015: HK\$170,025,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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11. INVESTMENT IN A JOINT VENTURE

	30 June 2016 (Unaudited) HK\$'000
Share of net assets of a joint venture	132,354

Particulars of the joint venture of the Group at 30 June 2016 are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activities
FreeOpt Holdings Limited ("FreeOpt")	Ordinary share without par value	Republic of Marshall Islands/ Hong Kong	39.16	33.33	39.16	Investment holding and money lending

The above investment is indirectly held by the Company and has been accounted for using equity method.

On 30 December 2015, Marvel Galaxy Limited ("MGL") (an indirect wholly-owned subsidiary of the Company) entered into a joint venture agreement with a wholly-owned subsidiary of Freeman Financial Investment Corporation ("FFIC") (a wholly-owned subsidiary of Freeman Financial Corporation Limited) and FreeOpt, pursuant to which MGL and FFIC conditionally agreed to cooperate to set-up the joint venture company for single purpose of carrying out business of provision of finance and money lending. Further details of the joint venture contribution were disclosed in the announcement of the Company dated 30 December 2015.

The following table illustrates the summarised financial information of FreeOpt adjusted for any differences in accounting policies, and reconciled to the carrying amount in the condensed consolidated financial statements.

	30 June 2016 (Unaudited) HK\$'000
Current assets	338,432
Current liabilities	(449)
Net assets	337,983
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	39.16%
Carrying amount of the investment	132,354
Revenue	5,890
Loss for the period	(45,017)

11. INVESTMENT IN A JOINT VENTURE (continued)

The following table illustrates the Group's share of FreeOpt's profits and losses:

	30 June 2016 (Unaudited) HK\$'000
Share of losses of a joint venture	18,722

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade and bills receivables	47,481	38,352
Less: Impairment	(104)	(420)
	47,377	37,932

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	27,228	22,425
1 to 2 months	11,797	9,523
2 to 3 months	7,272	4,944
Over 3 months	1,080	1,040
	47,377	37,932

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12. TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Neither past due nor impaired	38,686	30,756
Less than 1 month past due	5,987	5,125
Over 1 month past due	2,704	2,051
	47,377	37,932

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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 directors of the Company are of the opinion that no provision for impairment 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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Listed equity investments, at market value	–	517,376
Unlisted convertible notes, at fair value	150,000	150,000
	150,000	667,376

The above financial assets at 30 June 2016 and 31 December 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

As at 31 December 2015, the Group's listed equity investments with an aggregate carrying value of HK\$517,376,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	17,318	12,797
1 to 2 months	5,193	2,507
2 to 3 months	983	810
Over 3 months	513	229
	24,007	16,343

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

15. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid: 5,103,692,751 (31 December 2015: 4,528,628,779) ordinary shares of HK\$0.01 each	51,037	45,286

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15. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2016	4,528,628,779	45,286	243,779	289,065
Issue of new shares (note)	575,063,972	5,751	101,174	106,925
At 30 June 2016	5,103,692,751	51,037	344,953	395,990

Note:

On 25 June 2015, the Group issued 287,531,980 and 287,531,992 unlisted warrants, with a mandatory exercise right and at the subscription prices of HK\$0.56 and HK\$0.608, respectively, per warrant, at a placing price of HK\$0.01 per warrant (the "Share Warrants"), to 16 independent placees pursuant to certain conditional placing agreements and supplemental agreements dated 21 April 2015, 29 April 2015, 13 May 2015, 15 May 2015 and 8 June 2015. Details of this transaction are set out in the Company's circular dated 9 June 2015.

Pursuant to an agreement dated 2 December 2015 (the "Subscription and Cancellation Agreement") entered into between the Company and the holders of the Share Warrants, the Company agreed to cancel all the outstanding Share Warrants (the "Cancellation") and the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Company at HK\$0.16 per share (the "Subscription"). The aggregate subscription price is approximately HK\$92,010,000.

"Other equity instrument" in the condensed consolidated statement of changes in equity represents the fair value of equity-settled forward contract concluded under the Subscription and Cancellation Agreement.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 28 January 2016, the shareholders of the Company approved the Cancellation and the Subscription.

Upon the completion of the Cancellation and the Subscription on 4 February 2016, the share capital of the Company was increased by approximately HK\$5,751,000 and the share premium received on the Subscription of approximately HK\$86,259,000 was credited to the share premium account while the equity instrument of approximately HK\$14,915,000 was transferred to the share premium account.

16. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

16. SHARE OPTION SCHEME (continued)

“Related Group” means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the refreshment of the Scheme mandate limit on 27 June 2016. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) closing price of the Company’s shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

There were no share options outstanding as at 30 June 2016.

At the date of approval of these unaudited interim condensed consolidated financial statements, the Company had 510,369,275 share options available for issue under the Scheme, which represented approximately 6.3% of the Company’s shares in issue as at that date.

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17. BUSINESS COMBINATION

On 7 March 2016, the Group entered into the S&P Agreement with four independent parties to acquire the entire equity interests of the WWM Group, at an aggregate cash consideration of HK\$32,500,000. The transaction was completed on the same date.

The provisional fair values of the identifiable assets and liabilities of WWM Group as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition (Unaudited) HK\$'000
Property, plant and equipment	3,542
Cash and bank balances	2,058
Inventory	22,963
Prepayments, deposits and other receivables	6,107
Trade payables	(3,318)
Other payables and accruals	(175)
Deferred tax liabilities	(2,552)
Total identifiable net assets at fair value	28,625
Provisional goodwill on acquisition	3,875
Satisfied by cash	32,500

The Group incurred transaction costs of HK\$316,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of WWM Group is as follows:

	(Unaudited) HK\$'000
Cash consideration	(32,500)
Cash and bank balances acquired	2,058
Net outflow of cash and cash equivalents included in cash flows from investing activities	(30,442)
Transaction costs of the acquisition included in cash flows from operating activities	(316)
	(30,758)

17. BUSINESS COMBINATION (continued)

The accounting for the acquisition of the WWM Group during the period is determined on a provisional basis as the nature and fair value of the identifiable assets acquired can be determined on a provisional value only as at the end of the reporting period. The Company is in the process of finalising the valuation with the independent valuer on the WWM Group's fair value. It may be adjusted upon the completion of the initial accounting.

Since the acquisition, the WWM Group contributed HK\$139,000 to the Group's revenue and HK\$12,042,000 to the consolidated loss for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the period, the revenue of the Group and the loss of the Group for the six months ended 30 June 2016 would have been increased by approximately HK\$249,000 and HK\$8,606,000, respectively.

18. DISPOSAL OF SUBSIDIARIES

On 8 December 2015, the Group entered into a conditional agreement with an independent third party to dispose the Group's entire equity interest in Permata Production Inc. ("Permata"), which is principally engaged in the holding of a property located in the PRC, together with the assignment of benefits and interest in the loan advanced by Qualipak Manufacturing Limited, the then immediate holding company of Permata, at a consideration of RMB9,000,000 (equivalent to HK\$10,669,000). The disposal of Permata was completed on 29 February 2016.

	(Unaudited) HK\$'000
Net asset disposed of:	
Property	2,278
Professional fees and expenses	1,096
Gain on disposal	7,295
	10,669
Satisfied by:	
Cash	10,669

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Permata is as follows:

	(Unaudited) HK\$'000
Cash consideration	10,669
Professional fees and expenses	(1,096)
Net inflow of cash and cash equivalents in respect of the disposal of Permata	9,573

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18. DISPOSAL OF SUBSIDIARIES (continued)

Period ended 30 June 2015

Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised as follows:

	King Place (Unaudited) HK\$'000 (note a)	Empire New Assets (Unaudited) HK\$'000 (note b)	Theme Production House (Unaudited) HK\$'000 (note c)	Total (Unaudited) HK\$'000
Net assets disposed of:				
Property, plant and equipment	29,544	29,272	182	58,998
Deferred tax assets	–	–	17	17
Inventories	–	–	343	343
Trade and bills receivables	–	–	5,058	5,058
Prepayments, deposits and other receivables	3,111	3,065	322	6,498
Tax recoverable	37	–	1,038	1,075
Cash and cash equivalents	–	–	7,957	7,957
Trade and bills payables	–	–	(9,235)	(9,235)
Other payables and accruals	(2)	(2)	(1,767)	(1,771)
Tax payable	–	(66)	–	(66)
Deferred tax liabilities	(573)	(627)	–	(1,200)
Non-controlling interests	–	–	(1,918)	(1,918)
	32,117	31,642	1,997	65,756
Professional fees and expenses	1,121	699	77	1,897
Gain on disposal of subsidiaries	58,762	279,509	5,426	343,697
	92,000	311,850	7,500	411,350
Satisfied by:				
Cash	92,000	10,100	3,000	105,100
Consideration receivable	–	–	4,500	4,500
Consideration shares (classified as financial assets at fair value through profit or loss)	–	301,750	–	301,750
	92,000	311,850	7,500	411,350

18. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	King Place (Unaudited) HK\$'000 (note a)	Empire New Assets (Unaudited) HK\$'000 (note b)	Theme Production House (Unaudited) HK\$'000 (note c)	Total (Unaudited) HK\$'000
Cash consideration	92,000	10,100	3,000	105,100
Cash and bank balances disposed of	–	–	(7,957)	(7,957)
Professional fees and expenses	(1,121)	(699)	(77)	(1,897)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	90,879	9,401	(5,034)	95,246

Notes:

(a) King Place Investments Limited (“King Place”)

On 28 November 2014, the Group entered into a conditional agreement with Sino Green Holdings Limited, an independent third party and an indirect wholly-owned subsidiary of China Soft Power Technology Holdings Limited (formerly known as China Jinhai International Group Limited), to dispose of the Group’s entire equity interest in King Place, which was principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Development Limited, the then immediate holding company of King Place, at a consideration of HK\$92,000,000. The transaction was completed on 31 March 2015.

(b) Empire New Assets Limited (“Empire New Assets”)

On 16 February 2015, the Group entered into a conditional agreement with Million Brilliance Limited, an independent third party and an indirect wholly-owned subsidiary of Skyway Securities Group Limited (“Skyway Securities”) (formerly known as Mission Capital Holdings Limited), to dispose of the Group’s entire equity interest in Empire New Assets, which is principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Development Limited, the then immediate holding company of Empire New Assets, at an aggregate consideration of HK\$90,000,000. The consideration was satisfied as to HK\$10,100,000 in cash and HK\$79,900,000 by the issuance of 850,000,000 consideration shares by Skyway Securities at an issue price of HK\$0.094 per share (the “Consideration Shares”). The Consideration Shares were issued on 20 May 2015 with a total market value of HK\$301,750,000 (HK\$0.355 per share) and therefore, the fair value of the total consideration for this disposal was HK\$311,850,000.

(c) Theme Production House Limited (“Theme Production House”)

On 4 May 2015, the Group entered into a conditional agreement with the non-controlling shareholder of Theme Production House to dispose of the Group’s 51% equity interest in Theme Production House, which is principally engaged in the trading of display units, at a consideration of HK\$7,500,000. The disposal of Theme Production House was completed on 26 May 2015.

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

20. PLEDGE OF ASSETS

The Group did not pledge any of its assets as at 30 June 2016.

At 31 December 2015, the Group’s listed available-for-sale investments and listed financial assets at fair value through profit or loss with aggregate carrying values of HK\$25,040,000 and HK\$517,376,000, respectively, were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

21. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises, manufacturing plants and car parks under operating lease arrangements. The leases for the office premises, manufacturing plants and car parks are negotiated for terms of one to two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	3,369	154
In the second to fifth years, inclusive	980	2,450
	4,349	2,604

22. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for available-for-sale investments and financial assets at fair value through profit or loss which are measured at fair value, the financial assets and liabilities of the Group as at 30 June 2016 and 31 December 2015 are loans and receivables, and financial liabilities at amortised cost, respectively.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2016

Assets measured at fair value:

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets at fair value through profit or loss: Unlisted convertible notes	–	150,000	–	150,000

As at 31 December 2015

Assets measured at fair value:

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Available-for-sale investments: Listed equity investments	25,040	–	–	25,040
Financial assets at fair value through profit or loss: Listed equity instruments	517,376	–	–	517,376
Unlisted convertible notes	–	150,000	–	150,000
	542,416	150,000	–	692,416

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2015: None).

24. EVENTS AFTER REPORTING PERIOD

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 8 July 2016, the shareholders approved to (i) the subscription by the Company of 13,600,000 shares of no par value each in the share capital of Win Wind Capital Limited (“Win Wind”); (ii) the subscription by Win Wind of 2,040,000,000 shares of HK\$0.01 each in the share capital of the Company; and (iii) the redemption of the whole of the principal amount of HK\$150 million of the 2% per annum convertible notes together with all accrued interests thereon by Win Wind. These transactions were completed on 19 July 2016.

Details of the subscription of shares in Win Wind, issue of shares to Win Wind and redemption of convertible notes of Win Wind were set out in the Company’s circular dated 22 June 2016.

- (b) On 10 August 2016, the Company entered into a conditional sale and purchase agreement to acquire the entire equity interests of Apex Capital Business Limited, which holds Fortune Road International Limited and Shanghai TY Technology Co. Ltd* (collectively, “SHTY Group”). The transaction was satisfied by (i) 600,000,000 consideration shares issued by the Company at an issue price of HK\$0.335 per share; (ii) HK\$258 million of promissory note issued by the Company; and (iii) a cash consideration of HK\$54 million. The Company also acquired the shareholder’s loan of HK\$56.4 million by cash. The transaction was completed on 19 August 2016. SHTY Group is principally engaged in provision of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on its “one product, one QR code”.

Due to the timing of the transaction, the Company is still assessing the allocation of fair values of the assets acquired and liabilities assumed. Accordingly, certain disclosures in relation to the business combination as at the date of the acquisition, such as fair values of assets acquired and liabilities assumed, goodwill recognised (if any) and acquisition-related costs, have not been presented.

- (c) On 19 August 2016, the Company allotted and issued 420,738,550 ordinary shares to certain independent third parties at a subscription price of HK\$0.28 per share and raised a total of approximately HK\$117,807,000, before expenses, which was used to satisfy the cash considerations for the acquisition of SHTY Group and the related shareholder’s loan, the remainder of which will be used towards working capital purpose of the Company.

* Direct translation from the Chinese name which is for identification purposes only

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform to the current period’s presentation and disclosures.

26. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements was approved and authorised for issue by the board of directors on 26 August 2016.