



海航國際投資集團有限公司

HNA International Investment Holdings Ltd.

2015

Interim Report

Stock Code : 521

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Zhao Quan (*Executive Director and Chairman*)

Li Tongshuang

(*Executive Director and Vice-chairman*)

Wang Hao

(*Executive Director and Chief Executive Officer*)

Xu Haohao

(*Executive Director and Executive President*)

Leung Shun Sang, Tony (*Non-executive Director*)

Leung Kai Cheung

(*Independent Non-executive Director*)

Liem Chi Kit, Kevin

(*Independent Non-executive Director*)

Lam Kin Fung, Jeffrey

(*Independent Non-executive Director*)

EXECUTIVE COMMITTEE

Zhao Quan (*Chairman*)

Li Tongshuang

Wang Hao

Xu Haohao

AUDIT COMMITTEE

Leung Kai Cheung (*Chairman*)

Liem Chi Kit, Kevin

Lam Kin Fung, Jeffrey

NOMINATION COMMITTEE

Zhao Quan (*Chairman*)

Leung Shun Sang, Tony

Leung Kai Cheung

Liem Chi Kit, Kevin

Lam Kin Fung, Jeffrey

REMUNERATION COMMITTEE

Leung Kai Cheung (*Chairman*)

Zhao Quan

Xu Haohao

Liem Chi Kit, Kevin

Lam Kin Fung, Jeffrey

INVESTMENT COMMITTEE

Zhao Quan (*Chairman*)

Li Tongshuang

Wang Hao

Xu Haohao

Leung Shun Sang, Tony

Leung Kai Cheung

JOINT COMPANY SECRETARIES

Huang Tianbo

Lau Lap Ngai

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Orrick, Herrington & Sutcliffe

SHARE REGISTRARS

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STOCK CODE

521

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INTERIM RESULTS

The board of directors (the “Board”) of HNA International Investment Holdings Limited (the “Company”) is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
	NOTES	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	140,092	89,737
Cost of sales		(117,830)	(78,719)
Gross profit		22,262	11,018
Other income		31,995	1,902
Other expenses		(15,000)	(3,650)
Other gains and losses	4	(5,754)	(97,524)
Selling and distribution costs		(5,200)	(2,022)
Administrative expenses		(38,710)	(20,997)
Finance costs		(69,364)	(34,467)
Loss before tax		(79,771)	(145,740)
Income tax credit (expense)	5	1,053	(820)
Loss for the period from continuing operations	6	(78,718)	(146,560)
Discontinued operation			
Loss for the period from discontinued operation	7	(68,049)	(78,877)
Loss for the period		(146,767)	(225,437)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of financial statements from functional currency to presentation currency		315	(23,970)
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		–	(2,323)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments		–	2,323
		–	–
Other comprehensive income (expense) for the period		315	(23,970)
Total comprehensive expense for the period		(146,452)	(249,407)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2015

	NOTE	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company			
– from continuing operations		(66,770)	(132,817)
– from discontinued operation		(68,049)	(78,877)
Loss for the period attributable to owners of the Company		(134,819)	(211,694)
Loss for the period attributable to non-controlling interests from continuing operations		(11,948)	(13,743)
		(146,767)	(225,437)
Total comprehensive expense attributable to:			
Owners of the Company		(134,547)	(233,975)
Non-controlling interests		(11,905)	(15,432)
		(146,452)	(249,407)
LOSS PER SHARE			
From continuing and discontinued operations	9		
Basic and diluted (HK cents)		(3.41)	(7.36)
From continuing operations			
Basic and diluted (HK cents)		(1.69)	(4.62)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June	31 December
		2015	2014
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	10	341,821	310,129
Land use rights	21	1,257,448	1,324,738
Intangible assets		504	884
Other receivables	11	–	39,284
Available-for-sale investments		887	887
Club debentures		700	700
Amounts due from related companies	12	459,802	526,546
		2,061,162	2,203,168
Current assets			
Inventories		14,961	15,897
Trade and bills receivables	13(a)	79,459	113,288
Prepayments, deposits and other receivables	13(b)	178,646	222,425
Amounts due from customers for contract work	14	149,186	168,006
Amounts due from related companies	12	331,562	191,798
Land use rights	21	46,572	17,093
Tax recoverable		5,122	4,090
Pledged bank deposits		16,306	7,460
Bank balances and cash		51,591	31,096
		873,405	771,153
Disposal group classified as held-for-sale	7	1,158,806	1,223,172
		2,032,211	1,994,325

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

	<i>NOTES</i>	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	15(a)	77,792	114,621
Other payables, deposits received, receipt in advance and accruals	15(b)	122,288	126,290
Borrowings – due within one year	16	212,460	271,803
Amounts due to related companies	12	9,766	9,744
Convertible loan notes and related payables	17	166,378	173,036
Embedded derivative components of convertible loan notes	17	24,593	10,868
Tax liabilities		18,241	18,239
Financial guarantee liabilities	19	4,458	3,948
Deferred revenue		38,366	43,235
		674,342	771,784
Liabilities associated with disposal group classified as held-for-sale	7	237,012	331,226
		911,354	1,103,010
Net current assets		1,120,857	891,315
Total assets less current liabilities		3,182,019	3,094,483

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

		30 June 2015	31 December 2014
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current liabilities			
Deferred revenue		255,607	271,897
Borrowings – due after one year	16	558,974	473,239
Promissory note	21	634,566	609,479
Deferred tax liabilities		268,544	269,557
		1,717,691	1,624,172
Net assets			
		1,464,328	1,470,311
Capital and reserves			
Share capital	18	1,980,766	1,834,488
Reserves		(1,003,935)	(863,827)
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale		12,270	12,518
Equity attributable to owners of the Company		989,101	983,179
Non-controlling interests		475,227	487,132
Total equity		1,464,328	1,470,311

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company										Sub-total	Attributable to non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Other reserves	Translation reserve	Capital reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (audited)	673,035	802,454	2,084	360	114,020	53,690	-	31,885	(876,321)	12,768	813,975	70,269	884,244
Loss for the period	-	-	-	-	-	-	-	-	(211,694)	-	(211,694)	(13,743)	(225,437)
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	(21,423)	-	-	-	-	(858)	(22,281)	(1,689)	(23,970)
Fair value loss on available-for-sale investments	-	-	-	-	-	-	(2,323)	-	-	-	(2,323)	-	(2,323)
Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments	-	-	-	-	-	-	2,323	-	-	-	2,323	-	2,323
Total comprehensive expense for the period	-	-	-	-	(21,423)	-	-	-	(211,694)	(858)	(233,975)	(15,432)	(249,407)
Shares issued	161,600	-	-	-	-	-	-	-	-	-	161,600	-	161,600
Transaction costs attributable to issue of shares	(5,470)	-	-	-	-	-	-	-	-	-	(5,470)	-	(5,470)
Exercise of conversion option of a convertible loan note (Note 17)	22,500	-	-	-	-	-	-	-	-	-	22,500	-	22,500
Transfer upon abolition of par value under the Hong Kong Companies Ordinance (Note b) (Note 18)	858,228	(802,454)	(2,084)	-	-	(53,690)	-	-	-	-	-	-	-
Acquisition of a subsidiary (Note 21)	-	-	-	-	-	222,248	-	-	-	-	222,248	434,721	656,969
At 30 June 2014 (unaudited)	1,709,893	-	-	360	92,597	222,248	-	31,885	(1,088,015)	11,910	980,878	489,558	1,470,436

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2015

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	1,834,488	-	-	360	93,017	222,248	-	26,021	(1,205,473)	12,518	983,179	487,132	1,470,311
Loss for the period	-	-	-	-	-	-	-	-	(134,819)	-	(134,819)	(11,948)	(146,767)
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	520	-	-	-	-	(248)	272	43	315
Total comprehensive expense for the period	-	-	-	-	520	-	-	-	(134,819)	(248)	(134,547)	(11,905)	(146,452)
Shares issued	132,220	-	-	-	-	-	-	-	-	-	132,220	-	132,220
Transaction costs attributable to issue of shares	(3,027)	-	-	-	-	-	-	-	-	-	(3,027)	-	(3,027)
Exercise of share options (Note 18)	17,085	-	-	-	-	-	-	(5,809)	-	-	11,276	-	11,276
At 30 June 2015 (unaudited)	1,980,766	-	-	360	93,537	222,248	-	20,212	(1,340,292)	12,270	989,101	475,227	1,464,328

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2015

Notes:

- (a) Other reserves represent the aggregate amounts of surplus reserve fund and enterprise development fund.

Certain subsidiaries operating in the People's Republic of China (the "PRC") are required to transfer 5% of the profit after tax (as determined in accordance with PRC generally accepted accounting principles) to the surplus reserve fund until the fund balance reaches 50% of the registered capital of those subsidiaries thereafter any further appropriation is optional and is determinable by the companies' board of directors. The reserve fund can be used to offset accumulated losses, expand the existing operations or convert into additional capital of the subsidiaries. No such transfer was made during both periods.

These subsidiaries are also required to transfer 5% of the profit after tax (as determined in accordance with PRC generally accepted accounting principles) to the enterprise development fund. The fund can only be used for development of the enterprise and is not available for distribution to shareholders. No such transfer was made during both periods.

- (b) By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK\$270,000,000. This amount was used to reduce the Company's accumulated losses of HK\$216,310,000 and the balance of HK\$53,690,000 was credited to the Company's capital reserve which is non-distributable. Upon the abolition of par value under the Hong Kong Companies Ordinance, the reserve is transferred to share capital in the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	NOTE	Six months ended	
		30 June	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		390	(52,263)
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(9,772)	(22,625)
Withdrawal of pledged bank deposits		954	23,602
Deposit refunded to Hong Kong Guang Hua Resources Investments Company Limited relating to disposal group classified as held-for-sale		–	(50,000)
Purchase of property, plant and equipment		(706)	(1,189)
Proceeds from disposal of property, plant and equipment		192	46
Acquisition of a subsidiary, net of cash acquired	21	–	4,013
Repayments from related companies		11,613	–
Advance to related companies		(136,169)	–
Interest received		51,832	84
NET CASH USED IN INVESTING ACTIVITIES		(82,056)	(46,069)
FINANCING ACTIVITIES			
New bank loans raised		284,594	100,838
Loan advance from a shareholder		–	30,000
Loan advance from third parties		–	123,251
Loan advance from a director		–	5,000
Repayments of bank loans		(271,577)	(163,899)
Repayments to third parties		–	(28,000)
Repayment of principal of convertible loan notes		–	(90,000)
Proceeds from issue of shares		92,257	161,600
Expenses on issue of shares		(3,027)	(5,470)
NET CASH FROM FINANCING ACTIVITIES		102,247	133,320

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2015

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,581	34,988
CASH AND CASH EQUIVALENTS AT 1 JANUARY	31,174	5,711
Effect of foreign exchange rate changes	72	140
CASH AND CASH EQUIVALENTS AT 30 JUNE	51,827	40,839
Represent by:		
Bank balances and cash	51,591	40,637
Cash and cash equivalents included in a disposal group held-for-sale	236	202
	51,827	40,839

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

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

Pursuant to a special resolution passed on 17 April 2015, the Company changed the name to HNA International Investment Holdings Limited (海航國際投資集團有限公司).

Taking into account the financial resources of the Group, including the Group’s unutilised banking facilities, the Group’s ability to renew or refinance the banking facilities upon maturity and financial support from a substantial shareholder of the Company, HNA Group (International) Company Limited (“HNA International”), the directors of the Company (“the Directors”) are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”), being the Chief Executive Officer of the Company, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

On 30 June 2014, the Group has completed the acquisition of the golf club and hotel business which is described in more detail in Note 21 and the golf club and hotel business are reviewed by CODM as in a single operating segment.

The Group’s reportable and operating segments from continuing operations under HKFRS 8 are as follows:

- | | | |
|---------------------------------------|---|---|
| Intelligent information business | – | Provision of system value-added service solution and development and sales of hardware of computer products |
| Sales of light emitted diode products | – | Provision of system design, and sales of system hardware and light emitted diode products |
| Golf club and hotel business | – | Operation of golf club and provision of hotel and leisure services |

Since 2011, a reportable and operating segment namely the “Digital television (“DTV”) technical solutions and equipment business” was classified as a disposal group held-for-sale and included in discontinued operation. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in Note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

(a) Segment revenue and results

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

For the six months ended 30 June 2015 (unaudited)

Continuing operations

	Intelligent information business HK\$'000	Golf club and hotel business HK\$'000	Sales of light emitted diode products HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	60,750	78,883	459	140,092
Segment loss	(18,729)	(8,150)	(971)	(27,850)
Unallocated income and gains				2,548
Unallocated expenses				(14,704)
Gain on fair value change of the derivative components of convertible loan notes				12,135
Loss on issuing financial guarantee contracts				(2,367)
Amortisation of financial guarantee contracts				1,857
Finance costs				(51,390)
Loss before tax (continuing operations)				(79,771)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the six months ended 30 June 2014 (unaudited)

Continuing operations

	Intelligent information business HK\$'000	Golf club and hotel business HK\$'000	Sales of light emitted diode products HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	89,665	–	72	89,737
Segment loss	(17,454)	–	(691)	(18,145)
Unallocated income and gains				612
Unallocated expenses				(17,550)
Impairment loss recognised in respect of available-for-sale investments				(6,636)
Impairment loss recognised in respect of a loan to an investee				(81,523)
Gain on fair value change of the derivative components of convertible loan notes				25,308
Losses on financial guarantee contracts				(14,502)
Amortisation of financial guarantee contracts				1,163
Finance costs				(34,467)
Loss before tax (continuing operations)				(145,740)

Segment loss represents the loss from each segment without allocation of bank interest income, rental income, corporate expenses and those disclosed in the reconciliation above. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

There was no inter-segment sales for the six months ended 30 June 2015 and 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable and operating segments:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Reportable segment assets		
Continuing operations		
Intelligent information business	452,927	544,881
Golf club and hotel business	2,408,088	2,385,505
Sales of light emitted diode products	4,068	3,792
	2,865,083	2,934,178
Reportable segment liabilities		
Continuing operations		
Intelligent information business	139,738	181,767
Golf club and hotel business	615,270	637,853
Sales of light emitted diode products	17,355	15,724
	772,363	835,344

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Impairment loss recognised in respect of receivables from the Developer (defined and explained in Note 11)	–	(3,735)
Gain on fair value change of the derivative components of convertible loan notes (Note 17)	12,135	25,308
Impairment loss recognised in respect of a loan to an investee	–	(81,523)
Impairment loss recognised in respect of trade receivables	(3,918)	(5,422)
Impairment loss recognised in respect of other receivables	(5,779)	(65)
Impairment loss recognised in respect of available-for-sale investments	–	(6,636)
Impairment loss recognised in respect of amounts due from customers for contract work (Note 14)	(7,465)	(12,267)
Net exchange loss	(70)	(679)
Losses on financial guarantee contracts (Note 19)	(2,367)	(14,502)
Amortisation of financial guarantee contracts	1,857	1,163
(Loss) gain on disposal of property, plant and equipment	(87)	4
Others	(60)	830
	(5,754)	(97,524)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	–	820
Deferred tax		
Current year	(1,053)	–
	(1,053)	820

For the six months ended 30 June 2015 and 2014, no provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Amortisation of intangible assets (included in cost of sales)	380	1,004
Amortisation of land use rights (included in cost of sales)	23,217	–
Depreciation of property, plant and equipment	8,161	1,414
Total depreciation and amortisation	31,758	2,418
Auditor's remuneration	1,163	1,149
Research and development expenses (included in other expenses)	306	122
Acquisition related costs for the golf club and hotel business (included in other expenses)	–	3,528
Bank interest income	(89)	(81)
Imputed interest income in respect of other receivables (<i>Note 11</i>)	(656)	(1,821)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The loss for the period from the discontinued operation in respect of DTV business is analysed as follows:

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	–	–
Cost of sales	(60,198)	(60,298)
Gross loss	(60,198)	(60,298)
Other income	341	191
Other gains and losses	36	(5,512)
Administrative expenses	(2,182)	(2,881)
Finance costs	(6,046)	(10,377)
Loss before tax	(68,049)	(78,877)
Income tax expense	–	–
Loss for the period from discontinued operation attributable to owners of the Company	(68,049)	(78,877)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

The assets and liabilities associated with disposal group classified as held-for-sale are analysed as follows:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Property, plant and equipment	570,181	621,486
Investment properties	48,811	48,803
Goodwill	13,857	13,855
Intangible assets	331,333	342,082
Trade receivables	175,778	175,750
Prepayments and other receivables	18,610	21,118
Bank balances and cash	236	78
Total assets classified as held-for-sale	1,158,806	1,223,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Trade and bills payables	15,419	17,671
Other payables and accruals (<i>Note</i>)	32,587	34,933
Tax liabilities	93,968	93,953
Bank borrowings	95,038	184,669
Amounts due to group entities	1,277,521	1,179,377
Total liabilities associated with disposal group classified as held-for-sale	1,514,533	1,510,603
Less: Amounts due to group entities	(1,277,521)	(1,179,377)
Liabilities associated with disposal group classified as held-for-sale	237,012	331,226
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	12,270	12,518

Note: Other payables include a provision for litigation of RMB8,115,000 (equivalent to approximately HK\$10,147,000) (31 December 2014: HK\$10,146,000) in relation to a dispute with a supplier on a payment for purchased goods. During the year ended 31 December 2014, the Group won this legal case. The supplier then appealed to high court in the PRC during the six months ended 30 June 2015. Subsequent to the period end, the court case was finalised and the court issued the order that the Group needed to pay the entire amount under the claim plus the interest and the cost of the appeal. The amount was fully settled subsequent to the period end.

For presentation in the condensed consolidated statement of financial position as at 30 June 2015 and 31 December 2014, the amounts due to group entities amounting to HK\$1,277,521,000 (31 December 2014: HK\$1,179,377,000) has been excluded from the total liabilities associated with disposal group classified as held-for-sale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

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

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in cost of sales)	10,772	10,836
Depreciation of property, plant and equipment	51,359	51,558
Bank interest income	(1)	(3)
Rental income from leasing of investment properties	(153)	(165)
Rental income from leasing of motor vehicles	(62)	(23)

Cash flows for the period from the discontinued operation were as follows:

	HK\$'000
30 June 2015 (unaudited)	
Net cash outflows used in operating activities	(8,053)
Net cash outflows used in investing activities	(113)
Net cash inflows from financing activities	8,324
Net cash inflows	158
30 June 2014 (unaudited)	
Net cash outflows used in operating activities	(19,481)
Net cash outflows used in investing activities	(1,137)
Net cash inflows from financing activities	20,757
Net cash inflows	139

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

As disclosed in the Company's 2010 to 2014 annual reports, the Company had been advised by Southern Media Corporation, a state-owned enterprise in the PRC, about the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "Reform") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province would be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播電視網絡股份有限公司) ("Guangdong Network"), a state-owned enterprise in the PRC. As a result, the Group is no longer able to operate the DTV business under the current operating model and was required to exit the DTV business.

The Directors are seeking for a potential buyer for the disposal of certain subsidiaries of the Group (collectively referred as the "DTV Disposal Group"). There is no formal sales agreement and no valuation of the DTV Disposal Group has been concluded as at the date of this report.

The Directors are still committed to sell the DTV Disposal Group and consider the disposal transaction remains highly probable as the policy of the Reform remains unchanged. The Directors consider it is appropriate that the DTV Disposal Group is continued to be classified as held-for-sale in the condensed consolidated statement of financial position as at 30 June 2015 and 31 December 2014.

As at 30 June 2015, the net assets value (excluding amounts due to group entities) of the DTV Disposal Group included in the condensed consolidated financial statements (the "Net Assets Value of the DTV Disposal Group") amounted to HK\$921,794,000 (31 December 2014: HK\$891,946,000). However, in the absence of a formal sales agreement or valuation of the DTV Disposal Group, the Directors are unable to reliably determine whether the recoverable amounts of the DTV Disposal Group in its entirety and certain assets within the Disposal Group would not be less than Net Assets Value of the DTV Disposal Group and the respective carrying amounts included in the condensed consolidated statement of financial position as at 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

(i) Revenue

As mentioned above, the Group is no longer able to operate the DTV business under the current operating model and is no longer entitled to own the operation rights in providing multi-media information services based on cabled DTV network in the Guangdong Province in return of certain percentage of technical service income generated from Guangdong Southern Yinshi Network Media Company Limited and local DTV project companies. There is no revenue recognised for both periods.

(ii) Property, plant and equipment

For the six months ended 30 June 2015, the DTV Disposal Group acquired property, plant and equipment of approximately HK\$106,000 (six months ended 30 June 2014: HK\$1,153,000) to operate its DTV business.

(iii) Investment properties at fair value

The fair values of the investment properties of DTV business at 30 June 2015 have been estimated by the Directors with reference to recent market prices for similar properties in same locations and conditions.

The fair values of the investment properties of DTV business at 31 December 2014 had been arrived at on the basis of a valuation carried out on that date by Messrs. Guangdong Jinghua Assets & Real Estate Appraisal Co. Ltd., an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

All of the DTV business property interests held under medium-term lease in the PRC to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties amounting to HK\$11,255,000 (2014: Nil) are pledged as securities for the provision for litigation, which was released upon the litigation settlement subsequently after the period end.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

(iv) Trade receivables

An aged analysis of the trade receivables associated with the DTV Disposal Group classified as held-for-sale at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts, is as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
1 – 2 years	–	–
Over 2 years	175,778	175,750
	175,778	175,750

The above balances are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The Directors consider that trade receivables are measured in accordance with applicable HKFRSs.

(v) Trade and bills payables

An aged analysis of the trade and bills payables associated with the DTV Disposal Group classified as held-for-sale at the end of reporting period based on the invoice date is as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 90 days	–	1,738
91 – 180 days	–	2,256
181 – 365 days	3,176	183
1 – 2 years	11,902	13,156
Over 2 years	341	338
	15,419	17,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)

(vi) Bank borrowings

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Carrying amount repayable:		
Within one year	95,038	155,037
More than one year, but not exceeding two years	–	29,632
	95,038	184,669
Secured	–	35,883
Unsecured	95,038	148,786
	95,038	184,669

During the six months ended 30 June 2015 and 2014, there was no new loan associated with the DTV Disposal Group classified as held-for-sale obtained by the Group.

During the six months ended 30 June 2015, the Group repaid bank borrowings amounting to approximately HK\$89,631,000 (six months ended 30 June 2014: HK\$78,112,000). The bank borrowings associated with the DTV Disposal Group classified as held-for-sale are variable rate borrowings which carry interest at two to five years benchmark interest rate of The People's Bank of China with 0% – 20% (31 December 2014: 0% – 20%) mark up and are repayable in 2015 and 2016 (31 December 2014: repayable in 2015 to 2016).

The secured bank borrowings as at 31 December 2014 were pledged by the investment properties and property, plant and equipment of the DTV Disposal Group, which were released subsequent to the settlement of the bank borrowings during the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	134,819	211,694
	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	3,950,301	2,876,372

The computation of diluted loss per share does not assume exercise of share options and conversion of convertible loan notes for the six months ended 30 June 2015 and 2014 because the assumed exercise of share options and conversion of convertible loan notes would result in decrease in loss per share from continuing operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

9. LOSS PER SHARE (continued)

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company	134,819	211,694
Less: Loss for the period from discontinued operation attributable to owners of the Company	68,049	78,877
Loss for the purposes of basic and diluted loss per share from continuing operations	66,770	132,817

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

9. LOSS PER SHARE (continued)

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK1.72 cents per share (six months ended 30 June 2014: HK2.74 cents per share).

The calculations of basic and diluted loss per share from discontinued operation attributable to owners of the Company are based on the following data:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss for the period for discontinued operation attributable to owners of the Company	68,049	78,877

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2015, the Group incurred approximately HK\$600,000 (six months ended 30 June 2014: HK\$36,000) on acquisition of property, plant and equipment to operate its businesses under continuing operations.

In addition, a leasehold land and building located in the PRC under medium-term lease amounting of HK\$39,831,000 as at 30 June 2015 has been reclassified from non-current other receivables to property, plant and equipment in the current interim period (see Note 11).

For the six months ended 30 June 2014, there was an addition of property, plant and equipment of approximately HK\$306,396,000 through acquisition of the golf club and hotel business (Note 21). The property, plant and equipment acquired are categorised as buildings, machinery and motor vehicles which are depreciated as a straight-line basis over their estimated remaining useful lives, ranging from 1.6 years to 9 years after taking into account their residual values. Properties amounting to HK\$277,423,000 are pledged to banks for securing the banking facilities of Dongguan Hillview Golf Company Limited ("DG Hillview").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (continued)

For the six months ended 30 June 2015, the Group disposed of certain equipment with an aggregate carrying amount of HK\$279,000 (six months ended 30 June 2014: HK\$42,000) for cash proceeds of HK\$192,000 (six months ended 30 June 2014: HK\$46,000), resulting in a loss on disposal of HK\$87,000 (six months ended 30 June 2014: gain on disposal of HK\$4,000).

In both interim period, the Directors carried out impairment assessment in relation to the Group's property, plant and equipment and determined that there was no impairment on the property, plant and equipment.

11. OTHER RECEIVABLES

As at 31 December 2014, the amount originally represented deposit amounting to RMB35,000,000 (equivalent to approximately HK\$43,566,000) paid to acquire a commercial property in the PRC for owner occupation pursuant to an agreement entered into between the Group and an independent third party 浙江華海實業有限公司 ("the Developer") dated 11 February 2010 ("Agreement"). The deposit carried interest at 10% per annum. Pursuant to the Agreement, if the transfer is not completed within five years from 11 February 2010, the Group can request for refund of the deposit from the Developer or the Group can occupy this property up to 2054.

In August 2012, the Developer informed the Group that the government body may not issue the official premises permit for that property and orally agreed to refund the deposit to the Group in 2015. During the six months ended 30 June 2014, due to expected delay in repayment, the carrying amount of the other receivable was adjusted downward and an impairment loss of approximately HK\$3,735,000 was charged to profit or loss and reported in other gains and losses. The Group also recognised imputed interest income of HK\$656,000 (six month ended 30 June 2014: HK\$1,821,000) in profit or loss and reported under other income.

Upon completion of 5 years from 11 February 2010 and pursuant to the term of the Agreement, the Directors decided that the Group would occupy the commercial property for use up to 2054 as per initial agreement, hence, the Group has reclassified the amount of HK\$39,831,000 to property, plant and equipment during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

12. AMOUNTS DUE FROM/TO RELATED COMPANIES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Interest-bearing advance to Guangzhou HNA Real Estate Development Company Limited ("Guangzhou HNA Real Estate") (Note a)	472,514	472,438
Interest receivables on advance to Guangzhou HNA Real Estate (Note a)	82,895	139,939
Interest-free advance to Guangzhou HNA Real Estate (Note b)	45,509	43,545
Amounts due from other related companies (Note c)	190,446	62,422
	791,364	718,344
Less: amounts repayable within one year shown under current assets	(331,562)	(191,798)
Amounts shown under non-current assets	459,802	526,546
Amounts due to other related companies (Note c)	9,766	9,744

Notes:

- (a) Guangzhou HNA Real Estate is a subsidiary of HNA Group Co., Ltd. ("HNA Group"), which is an ultimate shareholder with significant influence over the Company. As such, Guangzhou HNA Real Estate is a related company of the Group. The advance to Guangzhou HNA Real Estate of HK\$472,514,000 (31 December 2014: HK\$472,438,000) carries interest at 9% per annum and at 30 June 2015, based on the agreed repayment terms, HK\$59,849,000 (31 December 2014: HK\$34,834,000) was classified as current assets and the remaining amounts of HK\$412,665,000 (31 December 2014: HK\$437,604,000) were classified as non-current assets respectively. The advance to Guangzhou HNA Real Estate and the related interest are unsecured and repayable from 2015 to 2017.

The amount of HK\$82,895,000 (31 December 2014: HK\$139,939,000) at 30 June 2015 represented the interest receivables arising from the advance to Guangzhou HNA Real Estate and is expected to be settled in 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

12. AMOUNTS DUE FROM/TO RELATED COMPANIES (continued)

Notes: (continued)

- (b) The advance to Guangzhou HNA Real Estate is unsecured, interest-free and has no fixed repayment terms.

The Directors considered the amount of HK\$45,509,000 (31 December 2014: Nil) will be settled within the next twelve months after the end of reporting period, and thus classified it as current asset. At 31 December 2014, the amount of HK\$43,545,000 was classified as non-current assets as the Directors considered the advance to Guangzhou HNA Real Estate will not be settled within the next twelve months after the end of reporting period. At 30 June 2015, the advance to Guangzhou HNA Real Estate with principal amount of HK\$44,608,000 (31 December 2014: HK\$44,601,000) is measured at amortised cost using an effective interest rate of 9% per annum.

- (c) At 30 June 2015 and 31 December 2014, amounts due from/to other related companies represented the amounts due from/to other subsidiaries of HNA Group.

At 30 June 2015, the amount included deposit amounting to RMB100,000,000 (equivalent to approximately HK\$125,050,000) paid for a development project of DG Hillview. Due to the cancellation of the project, the amount was fully refunded from Guangzhou HNA Real Estate on behalf of the contractor subsequently after the period-end, hence the amount was classified as current asset.

At 30 June 2015, amounts due from other related companies with principal amount of HK\$51,561,000 (31 December 2014: HK\$51,887,000) is measured at amortised cost amounting to HK\$47,137,000 (31 December 2014: HK\$45,397,000) using an effective interest rate of 9% per annum and are classified as a non-current asset as the Directors considered the amounts due from other related companies will not be settled within the next twelve months after the end of reporting period. The remaining amount of HK\$18,259,000 (31 December 2014: HK\$17,025,000), is interest-free, unsecured and repayable on demand.

At 30 June 2015 and 31 December 2014, amounts due to other related companies represent the payments on behalf of the Group. The amount is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

13. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Trade and bills receivables

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 90 days of issuance. Each customer has a designated credit limit.

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

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 90 days	17,582	61,604
91 – 180 days	18,352	37,024
181 – 365 days	37,964	1,069
1 – 2 years	5,561	13,591
	79,459	113,288

(b) Prepayments, deposits and other receivables

At 30 June 2015, the balance mainly included advances to suppliers in relation to intelligent information business of HK\$40,353,000 (31 December 2014: HK\$73,840,000), other receivables of HK\$77,253,000 (31 December 2014: HK\$79,453,000), deposit for projects for intelligent information business of HK\$30,756,000 (31 December 2014: HK\$32,453,000) and advance to staff of HK\$14,628,000 (31 December 2014: HK\$15,369,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

14. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Contract costs incurred plus recognised profits		
less recognised losses	1,755,048	1,718,807
Less: Progress billings	(1,605,862)	(1,550,801)
	149,186	168,006
Analysed for reporting purposes as:		
Amounts due from contract customers	149,186	168,006

At 30 June 2015, certain contract work amounting to approximately HK\$6,061,000 (31 December 2014: HK\$7,283,000) is pending for final billing upon the issuance of audited completion reports by the customers. The amounts were included in amounts due from customers for contract work. At 30 June 2015, retentions held by customers for contract works of approximately HK\$2,053,000 (31 December 2014: HK\$956,000) were included in other receivables. There is no advance received from customers for contract work before the commencement of the contract. In the opinion of the Directors, the amounts are expected to be realised in the next twelve months from the end of the reporting period.

Based on the assessment of the Directors, certain contract works have been suspended or have not been compromised with the customers on amount of final billing nor issuance of certified completion reports, as such the related carrying amounts of contract works are not probable to recover. For the six months ended 30 June 2015, an impairment loss of amounts due from customers for contract work of approximately HK\$7,465,000 (six months ended 30 June 2014: HK\$12,267,000) was recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

15. TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED, RECEIPT IN ADVANCE AND ACCRUALS

(a) Trade and bills payables

The following is an aged analysis of the trade and bills payables based on the invoice date at the end of reporting period:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 90 days	22,188	81,256
91 – 180 days	43,874	3,441
181 – 365 days	–	3,873
1 – 2 years	916	10,671
Over 2 years	10,814	15,380
	77,792	114,621

(b) Other payables, deposits received, receipt in advance and accruals

At 30 June 2015 and 31 December 2014, the balance mainly represented deposits received from suppliers, value added tax payable in relation to intelligent information business, accrued staff costs, advances from customers for purchase of materials and other taxes payable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

16. BORROWINGS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Bank borrowings – due within one year	212,460	195,547
Bank borrowings – due more than one year, but not more than two years	32,513	48,137
Bank borrowings – due more than two years, but not more than five years	435,174	425,102
Bank borrowings – due more than five years	91,287	–
Loan from a third party – due within one year (Note 22)	–	50,000
Loan from a related company – due within one year (Note 22)	–	26,256
	771,434	745,042
Carrying amount repayable		
Within one year	212,460	271,803
More than one year, but not more than two years	32,513	48,137
More than two years, but not more than five years	435,174	425,102
More than five years	91,287	–
	771,434	745,042
Secured	636,505	573,763
Unsecured	134,929	171,279
	771,434	745,042

During the six months ended 30 June 2015, the Group obtained new bank borrowings amounting to approximately HK\$284,594,000 (six months ended 30 June 2014: HK\$100,838,000, HK\$5,000,000 and HK\$123,251,000 from banks, a director and a third party respectively) and also repaid bank borrowings amounting to approximately HK\$181,946,000 (six months ended 30 June 2014: HK\$85,787,000 and HK\$28,000,000 repaid to banks and third parties respectively). All the borrowings are interest bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

17. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES

The movement of the debt component and the derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the six months ended 30 June 2015 and 2014 are set out as follows:

	2015		2014	
	Debt component	Derivative components	Debt component	Derivative components
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January (audited)	115,077	10,868	210,572	24,914
Interest charge for the period	18,618	–	25,018	–
Interest paid	–	–	(462)	–
Gain on fair value changes	–	(12,135)	–	(25,308)
Exchange realignment	(9)	–	(144)	–
Reversal on substantial modification of convertible bond notes (including cumulative interests)	(131,700)	–	(120,712)	–
Recognition of new convertible bond notes	100,399	25,860	100,267	24,033
Converted to shares	–	–	(22,500)	–
Principal paid	–	–	(90,000)	–
At 30 June (unaudited)	102,385	24,593	102,039	23,639
Interest payable of convertible bond notes	63,400	–	50,500	–
Interest charge	593	–	892	–
At 30 June (unaudited)	63,993	–	51,392	–
Total	166,378	24,593	153,431	23,639

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

17. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES (continued)

On 5 June 2009, the Company issued a convertible bond for a principal amount of US\$15,000,000 (equivalent to approximately HK\$116,250,000) ("Convertible Bond I") to an independent third party, Templeton Strategic Emerging Markets Fund III, LDC ("Templeton"). Details of the major terms of the Convertible Bond I are disclosed in the Group's annual financial statements for the year ended 31 December 2014. The Convertible Bond I shall not bear any interest and will be redeemed at its outstanding principal amount plus a premium of 8.5% per annum compounded annually at the maturity date of Convertible Bond I by the Company. The Convertible Bond I is denominated in United States dollars.

The original maturity date of the Convertible Bond I is on 5 June 2014. On 23 May 2014, the Company and Templeton entered into an agreement to extend the maturity date and conversion option expiry date of Convertible Bond I to the sixth anniversary of the date of issue of the Convertible Bond I (i.e. 5 June 2015) (the "2014 Convertible Bond I").

During the six months ended 30 June 2015, the Company reached an agreement with Templeton that the maturity date and conversion option expiry date of the 2014 Convertible Bond I is further extended by one year to 5 June 2016 ("New Maturity Date"). Other terms and conditions of this new convertible bond (the "New Convertible Bond I") remain unchanged from the original Convertible Bond I.

The New Maturity Date is considered to be a substantial modification of the 2014 Convertible Bond I after taking into account all relevant facts and circumstances including qualitative factors. As such, the 2014 Convertible Bond I was derecognised and New Convertible Bond I was recognised.

At 5 June 2015, the carrying amount of the 2014 Convertible Bond I amounted to HK\$131,700,000 was derecognised. On initial recognition of the New Convertible Bond I, the fair value of debt component and derivative components amounted to approximately HK\$100,399,000 and HK\$25,860,000, respectively, are recognised in the condensed consolidated statement of financial position. The fair value of the New Convertible Bond I approximates to the carrying amounts of the 2014 Convertible Bond I as at date of initial recognition, and accordingly no gain or loss is recorded. The effective interest rate of the debt component of the New Convertible Bond I and interest payable of the Convertible Bond I is 25.60% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

17. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES (continued)

Binomial model is used for valuation of the derivative components of Convertible Bond I, the 2014 Convertible Bond I and New Convertible Bond I. The major inputs into the model were as follows:

	30 June 2015	5 June 2015	31 December 2014	5 June 2014
Stock price	HK\$0.62	HK\$0.71	HK\$0.30	HK\$0.30
Exercise price (Note a)	HK\$0.577	HK\$0.577	HK\$0.580	HK\$0.60
Volatility (Note b)	80%	76%	39%	59%
Dividend yield	0%	0%	0%	0%
Option life	0.9 year	1 year	0.42 year	1 year
Risk free rate (Note c)	0.07%	0.08%	0.06%	0.16%

Notes:

- (a) Due to shares issued during the year ended 31 December 2014, exercise price has been adjusted to HK\$0.580 pursuant to the terms and conditions of the subscription agreement dated 13 May 2009. The exercise price has further been adjusted to HK\$0.577 due to shares issued for the six months ended 30 June 2015.
- (b) The volatility used in the model was determined with reference to the Company's historical volatility.
- (c) The risk free rate used in the model was reference to Hong Kong Government Bond yield at the end of the reporting period.

As at 30 June 2015, the carrying amount of the debt component of the convertible loan notes is approximately HK\$102,385,000 (31 December 2014: HK\$115,077,000), the fair value of the derivative components of convertible loan notes is approximately HK\$24,593,000 (31 December 2014: HK\$10,868,000) and the interest payable of the convertible loan notes is approximately HK\$63,993,000 (31 December 2014: HK\$57,959,000). At 30 June 2015, the convertible loan notes and interest payable are classified as current liabilities. No conversion was noted for the six months ended 30 June 2015 and 2014.

On 11 April 2011, the Company issued another convertible bond for a principal amount of HK\$360,000,000 ("Convertible Bond II") to seven independent third parties (the "Convertible Bondholder") of which HK\$112,500,000 remained outstanding at 31 December 2013. At 11 April 2014, the maturity date of Convertible Bond II, the Company redeemed part of the Convertible Bond II amounting to HK\$90,000,000 at its principal amount and Convertible Bondholder converted the remaining Convertible Bond II amounting to HK\$22,500,000 into 50,000,000 shares of the Company at conversion price of HK\$0.45. The issued shares were measured at the principal amount of HK\$22,500,000 as the market price of shares of the Company was less than the conversion price at the time of conversion.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2014 at HK\$0.25 each	20,000,000,000	5,000,000
At 31 December 2014 and 30 June 2015 (<i>Note a</i>)	20,000,000,000	N/A
Issued and fully paid:		
At 1 January 2014		
– Ordinary shares of HK\$0.25 each	2,692,141,179	673,035
Transfer from share premium, capital redemption reserve and capital reserve upon abolition of par value	–	858,228
Exercise of conversion option of a convertible loan note on 11 April 2014 (<i>Note b</i>)	50,000,000	22,500
Issues of shares on 7 May 2014 (<i>Note c</i>)	379,520,000	109,414
Issues of shares on 9 May 2014 (<i>Note d</i>)	158,908,000	46,716
Issues of shares on 25 July 2014 (<i>Note e</i>)	418,144,000	124,595
At 31 December 2014	3,698,713,179	1,834,488
Issues of shares on 13 January 2015 (<i>Note f</i>)	240,000,000	60,591
Exercise of share options under the Company's share options scheme	22,714,000	17,085
Issues of shares on 12 June 2015 (<i>Note g</i>)	110,000,000	68,602
At 30 June 2015		
– Ordinary shares with no par value	4,071,427,179	1,980,766

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

18. SHARE CAPITAL (continued)

Notes:

- a. Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.
- b. On 11 April 2014, the Company allotted and issued 50,000,000 ordinary shares, at a price of HK\$0.45 each to the Convertible Bondholder of Convertible Bond II. The new shares ranked pari passu with the existing shares in all respects.
- c. On 25 April 2014, the Company conducted the top-up placing to issue a maximum of 379,520,000 ordinary shares with an aggregate nominal value of HK\$94,880,000, at a price of HK\$0.30 each to not fewer than six placees, who are all independent third parties of the Company, to raise funds of HK\$113.9 million (the "Top-up Placing"). The net price of each share was HK\$0.29 and the market price of the share of the Company as at the date of the Top-up Placing was HK\$0.36 each. The net proceeds of HK\$109.4 million from the Top-up Placing was used by the Company for repayment of convertible bonds upon maturity. The new shares ranked pari passu with the existing shares in all respects.
- d. On 29 April 2014, the Company entered into a placing agreement with a placing agent to place a maximum of 158,908,000 ordinary shares with an aggregate nominal value of HK\$39,727,000 to not less than six placees, who are all independent third parties of the Company, at a price of HK\$0.30 each to raise funds of HK\$47.7 million (the "Placing"). The net price of each share was HK\$0.29 and the market price of the share of the Company as at the date of the Placing was HK\$0.34 each. The net proceeds of HK\$46.7 million from the Placing was used by the Company primarily for repayment of borrowings and interest of the Group. The new shares ranked pari passu with the existing shares in all respects.
- e. On 28 July 2014, the Company issued 418,144,000 new ordinary shares with an aggregate nominal value of HK\$104,536,000 to HNA International at a price of HK\$0.30 each to raise proceeds of HK\$125.4 million under an agreement signed on 18 June 2014. The net price of each share was HK\$0.30 and the market price of the share of the Company as at 18 June 2014 was HK\$0.29 each. The total net proceeds were of HK\$124.6 million, of which approximately HK\$6.46 million was used for payment of tax of a subsidiary of the Company and the remaining was used for repayment of borrowings and interest of the Group. The new shares ranked pari passu with the existing shares in all respects.
- f. On 2 January 2015, arrangements were made for a private placement to an independent third party, Eternity Finance Group Limited (the "Subscriber"), a company incorporated in the British Virgin Islands with limited liability, of 240,000,000 ordinary shares in the Company, at a price of HK\$0.253 per share representing a discount of approximately 19.68% to the closing marketing price of the Company's shares on 2 January 2015.

Pursuant to a subscription agreement on the same date, the Subscriber subscribed for 240,000,000 ordinary shares in the Company at a price of HK\$0.253 per share (the "Subscription"). The proceeds of HK\$9.5 million were used as general working capital of the Group and the remaining proceeds were used to set off against the loan and related interest payable. Details are set out in Note 22. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 6 June 2014 and rank pari passu with other shares in issue in all aspects. The Subscription was completed on 13 January 2015.

- g. On 4 June 2015, arrangements were made for a private placement to independent private investors of 110,000,000 ordinary shares in the Company, at a price of HK\$0.65 per share representing a discount of approximately 17.72% to the closing market price of the Company's shares on 4 June 2015.

Pursuant to a subscription agreement of the same date, there were more than six placees, subscribed for 110,000,000 new ordinary shares in the Company at a price of HK\$0.65 per share. The proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2015 and rank pari passu with other shares in issue in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

19. CONTINGENT LIABILITIES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Guarantee given to banks, in respect of banking facilities to third parties		
– amount granted	110,669	104,400
– amount utilised	105,917	97,523

At 30 June 2015 and 31 December 2014, the Group entered into a cross guarantee arrangement with third parties whereby the third parties have also provided guarantee to banks in respect of the banking facilities of Sinostride Technology Company Limited, a subsidiary of the Company.

During the six months ended 30 June 2015, the Group has provided additional or renewed the existing financial guarantees to the third parties and fair value of these financial guarantees of approximately HK\$2,367,000 (six months ended 30 June 2014: HK\$2,675,000) at initial recognition based on valuation performed by an independent valuer, Messrs. Vigers Appraisal & Consulting Limited ("Vigers"). At the end of the reporting period, an amount of HK\$4,458,000 (31 December 2014: HK\$3,948,000) has been recognised as liabilities in the condensed consolidated statement of financial position.

During the six months ended 30 June 2014, one of guarantees failed to repay the bank borrowings and the Group repaid the bank borrowings on its behalf. As such, the Group recognised a loss on financial guarantee contract amounting to approximately HK\$11,827,000.

In addition, the Company has provided guarantees to banks in respect of banking facilities granted to the DTV Disposal Group amounting of HK\$500,200,000 (31 December 2014: HK\$500,120,000) of which HK\$95,038,000 (31 December 2014: HK\$148,786,000) has been utilised by the DTV Disposal Group as at 30 June 2015. The Directors consider that the fair value of these financial guarantees at initial recognition is insignificant.

At 30 June 2015, no further provision for financial guarantee contracts has been made as the Directors consider that the default risk of the remaining borrowers is low given they have strong financial positions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

20. SHARE-BASED PAYMENTS

On 29 May 2012, the Company terminated the share options scheme adopted on 7 June 2002 (the "2002 Scheme") and a new share option scheme (the "2012 Scheme") which was adopted at the annual general meeting held on 25 May 2012 became effective. Details of the 2002 Scheme and 2012 Scheme are disclosed on the Group's consolidated financial statements for the year ended 31 December 2014.

During the six months ended 30 June 2015 and 2014, no share option was granted, lapsed, forfeited or exercised under the 2012 Scheme.

The movement of the share options granted under the 2002 Scheme are as follows:

	Number of share options
Outstanding as at 1 January 2014	174,603,810
Lapsed/cancelled during the year	(42,482,000)
Outstanding as at 31 December 2014 and 1 January 2015	132,121,810
Exercised during the period (<i>Note</i>)	(22,714,000)
Outstanding as at 30 June 2015	109,407,810

Note: During the period, 1,714,000 and 21,000,000 share options were exercised on 1 June 2015 and 5 June 2015, with share price of HK\$0.80 and HK\$0.71, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY

On 30 June 2014, the Group acquired the entire equity interest in Hillview Golf Development Company Limited ("Hillview") which holds 65% equity interest in DG Hillview (together with Hillview referred to as "Hillview Group") at a consideration of RMB585,000,000 (equivalent to approximately HK\$743,100,000) satisfied by issue of a promissory note. DG Hillview is principally engaged in the operations of a golf club and provision of hotel and leisure services in Guangdong Province, the PRC. The acquisition would enable the Group with ready access to the growing tourism industry in the PRC and to allow the Group with new business opportunities for investment and development.

Consideration transferred

	HK\$'000
Promissory note (<i>Note</i>)	585,000

Note: The total consideration was satisfied by issue of a promissory note with a principal amount of HK\$743,100,000, which is non-interest bearing and will be matured on 30 June 2017. The fair value of the promissory note as at 30 June 2014 was approximately HK\$585,000,000. The fair value had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 8.35% per annum based on valuation performed by Vigers. At 30 June 2015, such promissory note amounting to HK\$634,566,000 (31 December 2014: HK\$609,479,000) was measured at amortised cost determined using the effective interest method. During the six months ended 30 June 2015, the interest on promissory note is approximately HK\$25,087,000 (six months ended 30 June 2014: Nil).

Acquisition-related costs amounting to HK\$3,528,000 had been excluded from the cost of acquisition and had been recognised directly as an expense in the six months ended 30 June 2014 and included in the "other expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY (continued)

Asset and liabilities recognised at the date of acquisition

	Fair value HK\$'000
Current assets	
Land use rights (<i>Note a</i>)	46,561
Inventories	8,191
Trade receivables (<i>Note c</i>)	2,613
Other receivables and prepayments (<i>Note c</i>)	2,343
Advance to Guangzhou HNA Real Estate (<i>Note c</i>)	25,004
Pledged bank deposits	58
Bank balances and cash	4,013
Non-current assets	
Property, plant and equipment	306,396
Land use rights (<i>Note a</i>)	1,303,707
Amounts due from related parties (<i>Note d</i>)	74,909
Advance to Guangzhou HNA Real Estate (<i>Note c</i>)	597,282
Deferred tax assets (<i>Note b</i>)	47,623
Current liabilities	
Trade payables	(6,872)
Other payables, receipt in advance and accruals	(30,176)
Deferred revenue	(33,940)
Amounts due to related parties	(20,747)
Tax liabilities	(13,072)
Borrowings – due within one year	(26,254)
Non-current liabilities	
Deferred revenue	(265,790)
Bank borrowings	(460,074)
Deferred tax liabilities (<i>Note b</i>)	(319,806)
Net assets	1,241,969

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY (continued)

Notes:

- a. Land use rights comprised of a medium-term leasehold land in the PRC. The land use rights were pledged for the banking facilities of DG Hillview. At 30 June 2015, land use rights of HK\$1,257,448,000 (31 December 2014: HK\$1,324,738,000) and HK\$46,572,000 (31 December 2014: HK\$17,093,000), respectively, are classified as non-current assets and current assets.
- b. For financial reporting purpose, the deferred tax assets and liabilities were offset and net amount of approximately HK\$272,183,000 is presented in the condensed consolidated statement of financial position at 30 June 2014.
- c. The fair value of trade and other receivables and advance to Guangzhou HNA Real Estate at the date of acquisition amounted to HK\$4,110,000 and HK\$622,286,000. The gross contractual amounts of those trade and other receivables and advance to Guangzhou HNA Real Estate acquired amounted to HK\$4,110,000 and HK\$622,286,000 at the date of acquisition respectively. The entire contractual cash flows were expected to be collected.
- d. The fair value of amounts due from related parties at the date of acquisition amounted to HK\$74,909,000. The gross contractual amounts of those amounts due from related parties acquired amounted to HK\$89,631,000 at the date of acquisition. The entire contractual cash flows were expected to be collected.

Non-controlling interests

The non-controlling interest (35%) in DG Hillview recognised at the acquisition date was measured by reference to the proportionate share of recognised fair value of net assets of DG Hillview and amounting to approximately HK\$434,721,000.

Capital reserve arising on acquisition

	HK\$'000
Fair value of consideration transferred	585,000
Plus: non-controlling interests (35% in DG Hillview)	434,721
Less: fair value of identifiable net assets acquired (100%)	(1,241,969)
Excess of fair value of identifiable net assets acquired over consideration transferred (<i>Note</i>)	222,248

Note: The excess amount of the fair value of identifiable net assets acquired over the fair value of consideration transferred and non-controlling interest was considered as deemed capital contribution from HNA International and is credited to capital reserve. The vendor of the acquisition transaction is a subsidiary of HNA International.

The Directors had determined the fair values of assets and liabilities of Hillview Group by reference to a valuation performed by Vigers at the acquisition date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY (continued)

Net cash inflow arising on acquisition

	HK\$'000
Cash and cash equivalent balances acquired	4,013

Impact of acquisition on the results of the Group

No profit or revenue for the six months ended 30 June 2014 was attributable to the Hillview Group since 30 June 2014 (date of the acquisition).

Had the acquisition of Hillview Group been effected at 1 January 2014, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2014 would have been HK\$180,964,000, and the amount of the loss for the six months ended 30 June 2014 from continuing operations would have been HK\$153,628,000. The proforma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2014, nor is it intended to be a projection of future results.

In determining the proforma revenue and loss of the Group had Hillview Group been acquired at the beginning of the interim period, the Directors calculated depreciation of property, plant and equipment, amortisation of land use rights and the release of deferred tax on the basis of the fair values at the date of acquisition.

22. MAJOR NON-CASH TRANSACTIONS

Apart from non-cash transaction related to the substantial modification of the convertible loan notes of the Group described in Note 17, the Group also entered into the following major non-cash transactions during the period.

For the six months ended 30 June 2015

Pursuant to the terms of the Subscription (Note 18), the total subscription proceeds was approximately HK\$60,720,000 of which approximately HK\$9,481,000 was settled in cash and the remaining amount of HK\$51,239,000, pursuant to the deed of assignment and set-off entered into among the Company, a third party and the Subscriber, was offset with the loan from a third party of HK\$50,000,000 (Note 16) and the related interest payable of HK\$1,239,000.

For the six months ended 30 June 2015, the Company, Guangzhou HNA Real Estate and a related company entered into an agreement to offset interest receivables on advance to Guangzhou HNA Real Estate (Note 12) against loan from a related company of HK\$26,256,000 (Note 16).

For the six months ended 30 June 2014

For the six months ended 30 June 2014, the Group acquired the Hillview Group at a consideration of HK\$585,000,000 settled by issue of a promissory note which will be matured on 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

23. FAIR VALUE MEASUREMENTS

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's material financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities	Fair value as at 30 June 2015 (unaudited)	Fair value as at 31 December 2014 (audited)	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Embedded derivative components of convertible loan notes	Embedded derivative components of New Convertible Bond I of HK\$24,593,000	Embedded derivative components of the 2014 Convertible Bond I of HK\$10,868,000	Level 3	Binomial method The key inputs are: Stock price, exercise price, volatility, dividend yield, risk free rate and option life	Volatility of 80% is applied in the New Convertible Bond I by reference to the historical volatility of share price of the Company (2014: 39% for the 2014 Convertible Bond I)	The higher volatility in share price, the higher the change in fair value of embedded derivative components of convertible loan notes

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

23. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative components of convertible loan notes
	HK\$'000
At 1 January 2014	24,914
Recognition of the 2014 Convertible Bond I	24,033
Gain arising on changes of fair value	(25,308)
Carrying amount at 30 June 2014 and 1 July 2014	23,639
Gain arising on changes of fair value	(12,766)
Exchange realignment	(5)
Carrying amount at 31 December 2014	10,868
Recognition of New Convertible Bond I	25,860
Gain arising on changes of fair value	(12,135)
Carrying amount at 30 June 2015	24,593

The total gains or losses for the six months ended 30 June 2015 included an unrealised gain of HK\$1,267,000 (six months ended 30 June 2014: HK\$394,000) relating to derivative components of convertible notes held at the end of the reporting period. Such fair value gains are included in "other gains and losses" (see Note 4).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

23. FAIR VALUE MEASUREMENTS (continued)

Fair value measurements and valuation processes

In estimating the fair value of debt, derivative components and interest payable of convertible loan notes, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the derivative components of convertible loan notes. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. In determining the valuation assumptions and inputs, the Directors take into account the market-observable data as well as factors specific to the Group's convertible loan notes, as follows:

- Dividend yield – estimated based on the historical dividend yield of the Company at the end of the reporting period;
- Risk free rate – referenced to Hong Kong Government Bond yield at the end of the reporting period;
- Volatility – estimated based on the historical volatility of the Company's share prices; and
- Share price – referenced to the share price of the Company at the valuation date.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

24. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with PRC government-related entities

Prior to 1 January 2015, the Group operated in an economic environment pre-denominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Shougang Holding (Hong Kong) Limited ("Shougang HK") was a former substantial shareholder with significant influence over the Company. Shougang HK is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Apart from the transactions with Shougang HK and its subsidiaries (collectively refer to the "Shougang HK Group") (which are disclosed below), the Group also conducted businesses with other PRC government-related entities in the ordinary course of business during the six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with PRC government-related entities (continued)

i) Transactions with Shougang HK Group

During the six months ended 30 June 2014, the Group paid the management fees of HK\$165,000 to Shougang HK Group. During the current interim period, the Group ceased to pay management fees to Shougang HK Group as Shougang HK ceased to be a substantial shareholder to the Group.

ii) Transactions with other PRC government-related entities

The Group had entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In addition, the Group also carried out intelligent information business with certain government-related entities. In view of the nature of these transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(b) Transactions and balances with non-PRC government-related entities

(i) Transaction with a former director of the Company

During the six months ended 30 June 2014, Mr. Mung Bun Man, Alan, a former director of the Company, provided a loan of HK\$5,000,000 to the Company. The loan carried interest at a rate of 7.5% per annum. The Group incurred interest expenses of HK\$107,000 for the six months ended 30 June 2014.

In addition, the Company subletted its office to entities controlled by Mr. Mung Kin Keung, a former director of the Company, and Mr. Mung Bun Man, Alan for a sublet income of HK\$428,000 during the six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with non-PRC government-related entities (continued)

(ii) Transactions with Guangzhou HNA Real Estate and other subsidiaries of HNA Group

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income		
Interest income on advance to Guangzhou HNA Real Estate	21,026	-
Imputed interest income on advance to Guangzhou HNA Real Estate	1,951	-
Imputed interest income on interest-free amounts due from other subsidiaries of HNA Group	3,084	-
Golf club competition events income	2,245	-
Expenses		
Imputed interest expenses on promissory note	25,087	-
Interest expense paid to Guangzhou HNA Real Estate	1,227	-
Washing expense paid to a related company	642	-

In addition, on 30 June 2014, the Group had acquired the entire equity interest in Hillview from Leader Well Management Limited, which is wholly-owned and controlled by HNA Group (Note 21).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with non-PRC government-related entities (continued)

(iii) Compensation of key management personnel

The remuneration of key management members, who are the Directors during the period, was as follows:

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	4,248	3,455
Post-employment benefits	54	-
	4,302	3,455

The remuneration of executive directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE BOARD OF DIRECTORS OF
HNA INTERNATIONAL INVESTMENT HOLDINGS LIMITED**
海航國際投資集團有限公司
**(FORMERLY KNOWN AS SHOUGANG CONCORD TECHNOLOGY
HOLDINGS LIMITED 首長科技集團有限公司)**
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We were engaged to review the condensed consolidated financial statements of HNA International Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 55, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

BASIS FOR DISCLAIMER OF CONCLUSION

As described in Note 7 to the condensed consolidated financial statements, the directors of the Company are seeking for a potential buyer for the disposal of certain subsidiaries of the Group (collectively referred as the "DTV Disposal Group") and consider the disposal transaction remains highly probable, however, no formal sales agreement and valuation in relation to the DTV Disposal Group have been concluded as at the date of this report.

In the absence of a formal sales agreement and an appropriate valuation performed as at 30 June 2015, we were unable to obtain sufficient information to assess (i) whether the disposal of the DTV Disposal Group is still highly probable and the classification of the DTV Disposal Group as held-for-sale in the condensed consolidated financial statements remains appropriate; (ii) whether individual assets (other than investment properties and bank balances and cash which the directors are able to reliably measure) included in the DTV Disposal Group are measured in accordance with applicable HKFRSs; and (iii) whether the DTV Disposal Group in its entirety is measured at the lower of its net assets value and fair value less cost of disposal in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the HKICPA. There were no other satisfactory procedures that we could adopt to satisfy ourselves that the carrying amounts of the assets included in the DTV Disposal Group as at 30 June 2015 was free from material misstatement. Any adjustment to the carrying amounts may have a consequential significant effect on the loss for the six months ended 30 June 2015 and the net assets as at 30 June 2015.

The above matters caused us to disclaim our audit opinion on the consolidated financial statements in respect of the year ended 31 December 2014.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the condensed consolidated financial statements. Accordingly, we do not express a conclusion on these condensed consolidation financial statements.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover from continuing operations for the six months ended 30 June 2015 amounted to HK\$140.1 million (six months ended 30 June 2014: HK\$89.7 million). The increase in turnover was primarily attributable to the revenue from the golf club and hotel business newly added in the second half of 2014 with HK\$78.9 million.

Loss attributable to owners of the Company for the period amounted to HK\$134.8 million (six months ended 30 June 2014: HK\$211.7 million), which is analysed as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Loss from continuing operations	66,770	132,817
Loss from discontinued operation		
– Digital television business services	68,049	78,877
<hr/>		
Loss attributable to owners of the Company for the period	134,819	211,694

Basic loss per share of the Group are as follows:

	Six months ended 30 June	
	2015	2014
	HK cents	HK cents
Basic loss per share from continuing operations	1.69	4.62
Basic loss per share from discontinued operation	1.72	2.74
<hr/>		
Basic loss per share of the Group as a whole	3.41	7.36

As at 30 June 2015, the Group's equity attributable to owners of the Company amounted to HK\$989.1 million, representing an increase of HK\$5.9 million over the figure as at 31 December 2014 of HK\$983.2 million. The net assets value per share attributable to owners of the Company as at 30 June 2015 was HK\$0.36 (31 December 2014: HK\$0.40).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue, cost of sales and gross profit from continuing operations

Revenue from continuing operations for the period increased by HK\$50.4 million (56.1%) compared to the same period in prior year, which is mainly attributable to the revenue from golf club and hotel business acquired on 30 June 2014. On the other hand, the turnover from intelligent information business for the period decreased by HK\$28.9 million (32.2%) compared to the same period in prior year as a result of the slowdown in new project contracts. Further details are disclosed in "SEGMENT INFORMATION" below. Cost of sales from continuing operations for the period increased by HK\$39.1 million (49.7%). Gross profit increased from HK\$11 million in prior period to HK\$22.3 million in current period.

Loss for the period from continuing operations attributable to owners of the Company

Loss for the period from continuing operations attributable to owners of the Company decreased by HK\$66 million (49.7%) compared to the same period in prior year. The significant loss in the six months ended 30 June 2014 is mainly due to the one-off impairment on loan to an investee in the amount of HK\$81.5 million in respect to the intelligent information business.

Loss for the period from discontinued operation attributable to owners of the Company

Discontinued operation refers to digital television business (the "DTV business"). Loss for the period from discontinued operation attributable to owners of the Company decreased by HK\$10.8 million (13.7%) compared to the same period in prior year, which is mainly due to exchange loss of HK\$5.6 million arising from translation of presentation currency from Hong Kong dollars into Renminbi, which is the functional currency of the DTV business in accordance with Hong Kong Accounting Standards in the same period in prior year. Moreover, finance costs were reduced by HK\$4.4 million from HK\$10.4 million for the six months ended 30 June 2014 to HK\$6.0 million for the period.

SEGMENT INFORMATION

Intelligent information business

Intelligent information business segment refers to the development and provision of system integration solutions, system design and sale of system hardware. As a result of the slowdown in new project contracts, the turnover for the period decreased as compared to the same period last year. The turnover and operating loss of intelligent information business for the period were HK\$60.8 million (six months ended 30 June 2014: HK\$89.7 million) and HK\$18.7 million (six months ended 30 June 2014: HK\$17.5 million) respectively.

Golf club and hotel business

Golf club and hotel business segment refers to the operations of golf club and provision of hotel and leisure services. The turnover from golf club and hotel business reached HK\$78.9 million for the period (six months ended 30 June 2014: Nil). However, the operation still incurred a loss of HK\$8.15 million (six months ended 30 June 2014: Nil) due to the pressure on membership sales as a result of China's economic slowdown. The Group will continue to enhance its turnover from golf club and hotel business by implementing various marketing strategies and control the operation expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

DTV business services

The Group was no longer able to engage in the DTV business technology solutions and similar business. There was no operating income for the period and the total loss of DTV business for the period were Nil (six months ended 30 June 2014: Nil) and HK\$68.0 million (six months ended 30 June 2014: HK\$78.9 million) respectively. The main reason was an exchange loss of HK\$5.6 million resulting from translation of presentation currency from Hong Kong dollars into Renminbi, the functional currency in the same period in prior year. Moreover, finance costs were reduced by HK\$4.4 million from HK\$10.4 million to HK\$6.0 million during this period.

At present, the disposal transaction of the DTV business under the Group is pending completion.

Sales of light emitted diode products and others

During the period, the turnover and operating loss of light emitted diode products and others segment amounted to HK\$0.5 million (six months ended 30 June 2014: HK\$0.1 million) and HK\$1.0 million (six months ended 30 June 2014: HK\$0.7 million) respectively.

PROSPECT

It is anticipated that in the coming six months, the PRC will advance to a new economic normality. The Group will continue to improve on its existing business and operation management, and use its best endeavor to capture favourable opportunities in the market at the best possible timing, either for merger or acquisition, aiming at business development and transformation. The Group's management will strive to overcome challenges and difficulties that it faces and is determined to make this business transformation a success, optimizing investment returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY AND FINANCIAL RESOURCES

The financial leverage of the Group as at 30 June 2015, as compared to 31 December 2014 is summarised below:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Total debt		
– from bank and other borrowings	771,434	745,042
– from convertible loan notes	166,378	173,036
– from promissory note	634,566	609,479
Sub-total	1,572,378	1,527,557
Pledged bank deposits	(16,306)	(7,460)
Bank balances and cash	(51,591)	(31,096)
Net debt	1,504,481	1,489,001
Total capital (equity attributable to owners of the Company and total debt)	2,561,479	2,510,736
Total assets	4,093,373	4,197,493
Financial leverage		
– net debt to total capital	58.7%	59.3%
– net debt to total assets	36.8%	35.5%

FINANCING ACTIVITIES

During the period, the Group has raised HK\$140.5 million through issuing 372,714,000 ordinary shares and raised new borrowings of HK\$284.6 million from banks to provide working capital for the Group.

CAPITAL STRUCTURE

As at 30 June 2015, the number of shares in issue and issued share capital of the Company were 4,071,427,179 (31 December 2014: 3,698,713,179) and approximately HK\$1,980.8 million (31 December 2014: HK\$1,834.5 million) respectively.

As at 30 June 2015, the Group has a net debt to total capital ratio of 58.7% (31 December 2014: 59.3%).

As at 30 June 2015, the Group had bank and other borrowings in the amount of HK\$771.4 million, of which HK\$212.4 million were repayable within one year, HK\$32.5 million were repayable more than one year but not more than two years, HK\$435.2 million were repayable more than two years but not more than five years and HK\$91.3 million were repayable more than five years. Amongst these borrowings of the Group, 82.5% were pledged with land use rights, hotel and buildings and accounts receivables.

During the period, the effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings range from 5.89% to 7.08% for fixed-rate bank borrowings and range from 6.90% to 7.38% for variable-rate bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGE ON ASSETS

As at 30 June 2015, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables and mortgage granted on membership fee income) granted to the Group are as follows:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Investment properties	48,811	48,803
Buildings	10,367	10,510
Hotel and buildings for golf business	277,423	282,161
Land use right	1,304,020	1,341,831
Bank deposits	16,306	7,460
Trade and bill receivables	10,979	33,209
Total	1,667,906	1,723,974

As at 30 June 2015, among assets pledged, investment properties of HK\$48.8 million (31 December 2014: HK\$48.8 million) and buildings of HK\$10.4 million (31 December 2014: HK\$10.5 million) were classified as disposal group held-for-sale.

FOREIGN EXCHANGE EXPOSURE

The ordinary operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The operation results of the Group may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 30 June 2015, there were no derivative financial instruments employed by the Group.

MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT

Reference to the announcement dated 30 June 2014, the Group completed acquisition of 100% of Hillview Golf Development Company Limited on 30 June 2014 through issuance of a promissory note with a principal amount of HK\$743.1 million as consideration, which will be matured on the third anniversary of the issue date. As a result of the acquisition, the Group has been engaged in the operations of golf club and provision of hotel and leisure services since 30 June 2014.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CONTINGENT LIABILITIES

As at 30 June 2015, the contingent liabilities of the Group were arisen from cross guarantees of HK\$110.7 million (31 December 2014: HK\$104.4 million) for credit facilities granted to certain third parties, and the amount drawn down was HK\$105.9 million (31 December 2014: HK\$97.5 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 771 employees as at 30 June 2015.

The remuneration policies of the Group are to ensure the remuneration package as a whole is fair and competitive, so as to motivate and retain current employees as well as to attract potential ones. The determination of these remuneration packages have already been taken into account carefully, amongst others, practices under different local geographical locations in which the Group operates. The employees' remuneration packages are comprised of salaries, discretionary bonuses, together with retirement schemes, medical insurances and share options to form a part of such welfare benefits.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.

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

The Directors of the Company who held office at 30 June 2015 had the following interests in the shares and underlying shares of the Company as at 30 June 2015 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total Company as at 30.06.2015	Total interests as to % of the issued share capital of the Company as at 30.06.2015
		Interests in shares	Derivatives interests*	Total interests		
Leung Shun Sang, Tony	Beneficial owner	20,000,000	15,423,810	35,423,810	0.87%	
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000	3,514,000	0.09%	

* The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at 30 June 2015, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2015.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2015, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2015	
HNA Group (International) Company Limited	Beneficial owner	1,109,244,000	27.24%	
Shougang Corporation	Interest of controlled corporations	354,559,220	8.71%	<i>Note</i>
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	354,559,220	8.71%	<i>Note</i>
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	184,515,151	4.53%	<i>Note</i>
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	4.18%	<i>Note</i>

Note:

Shougang Corporation indicated in its disclosure form dated 2 June 2015 (being the latest disclosure form filed up to 30 June 2015) that as at 1 June 2015, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding which in turn was a wholly-owned subsidiary of Shougang Corporation.

Save as disclosed above, as at 30 June 2015, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

Particulars of share options in relation to each of the 2002 Scheme and the 2012 Scheme during the period are set out below:

(a) The 2002 Scheme

No share option was granted, cancelled or lapsed in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2015. Details of movements in the share options under the 2002 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company			Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Exercised during the period	At the end of the period			
Directors of the Company						
Mung Kin Keung	10,000,000	(10,000,000) ^{Note}	–	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.596
(resigned on 3 June 2015)	11,000,000	(11,000,000) ^{Note}	–	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.420
	21,000,000	(21,000,000)	–			
Leung Shun Sang,	423,810	–	423,810	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
Tony	15,000,000	–	15,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	15,423,810	–	15,423,810			
Leung Kai Cheung	1,800,000	–	1,800,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	38,223,810	(21,000,000)	17,223,810			

SHARE OPTIONS (continued)

(a) The 2002 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company			Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Exercised during the period	At the end of the period			
Employees of the Group	24,500,000	–	24,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
Other participants	12,148,000	(1,714,000) ^{Note}	10,434,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.406
	45,500,000	–	45,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.780
	8,750,000	–	8,750,000	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.596
	3,000,000	–	3,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.420
	69,398,000	(1,714,000)	67,684,000			
	132,121,810	(22,714,000)	109,407,810			

Note: The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$0.79 per share.

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2015 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 24 August 2015 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2015.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2015.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2015.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is the change in the information of Director since the date of the 2014 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Li Tongshuang has been re-designated from a Non-executive Director to an Executive Director, and appointed as the Vice-chairman of the Board as well as a member of each of the Executive Committee and the Investment Committee of the Company, and that he is entitled to a monthly salary of HK\$200,000, all effective from 28 July 2015.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By Order of the Board
HNA International Investment Holdings Limited
Zhao Quan
Chairman

Hong Kong, 28 August 2015