



海航實業集團股份有限公司

HNA HOLDING GROUP CO. LIMITED

Stock Code: 521



*2016*  
*Interim Report*

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Zhao Quan (*Chairman*)  
Li Tongshuang (*Vice-chairman*)  
Xu Haohao (*Executive President*)  
Zhang Ke

#### Non-executive Directors

Leung Shun Sang, Tony  
Wang Hao

#### Independent Non-executive Directors

Leung Kai Cheung  
Liem Chi Kit, Kevin  
Lam Kin Fung, Jeffrey

### EXECUTIVE COMMITTEE

Zhao Quan (*Chairman*)  
Li Tongshuang  
Xu Haohao  
Zhang Ke

### 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  
Xu Haohao  
Leung Shun Sang, Tony  
Leung Kai Cheung  
Zhang Ke

### JOINT COMPANY SECRETARIES

Huang Tianbo  
Lau Lap Ngai

### AUDITOR

Deloitte Touche Tohmatsu

### LEGAL ADVISER AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

### SHARE REGISTRARS

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

### REGISTERED OFFICE

Suites 5811-5814, 58/F.  
Two International Finance Centre  
No. 8 Finance Street, Central  
Hong Kong

### STOCK CODE

521

### WEBSITE

[www.hnaholdinghk.com](http://www.hnaholdinghk.com)

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of HNA Holding Group Co. Limited (the “**Company**”) is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2016. 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 2016*

	NOTES	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>			
Revenue	3	65,624	79,342
Cost of sales		(63,550)	(64,851)
Gross profit		2,074	14,491
Other income		17,352	31,950
Other expenses		–	(14,694)
Other gains and losses	4	67,202	11,980
Selling and distribution costs		(2,972)	(3,888)
Administrative expenses		(51,420)	(31,385)
Finance costs		(49,942)	(63,876)
Loss before tax		(17,706)	(55,422)
Income tax credit	5	2,256	1,053
Loss for the period from continuing operations	6	(15,450)	(54,369)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	7	(79,299)	(92,398)
Loss for the period		(94,749)	(146,767)
<b>Other comprehensive (expense) income:</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Exchange difference arising on translation of financial statements from functional currency to presentation currency		(80,163)	315
Total comprehensive expense for the period		(174,912)	(146,452)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTE	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (restated)
Loss for the period attributable to owners of the Company			
– from continuing operations		(9,292)	(52,422)
– from discontinued operations		(73,242)	(82,397)
Loss for the period attributable to owners of the Company		(82,534)	(134,819)
Loss for the period attributable to non-controlling interests			
– from continuing operations		(6,158)	(1,947)
– from discontinued operations		(6,057)	(10,001)
Loss for the period attributable to non-controlling interests		(12,215)	(11,948)
		(94,749)	(146,767)
Total comprehensive expense attributable to:			
Owners of the Company		(152,955)	(134,547)
Non-controlling interests		(21,957)	(11,905)
		(174,912)	(146,452)
<b>LOSS PER SHARE</b>			
From continuing and discontinued operations	8		
Basic and diluted (HK cents)		(0.72)	(3.31)
From continuing operations			
Basic and diluted (HK cents)		(0.08)	(1.29)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	310,925	331,866
Land use rights		1,130,022	1,178,104
Intangible assets		–	171
Deposit paid for acquisition of investment property	10	144,978	–
Available-for-sale investments		–	847
Club debentures		700	700
Amounts due from related companies	11	–	427,528
		<b>1,586,625</b>	1,939,216
<b>Current assets</b>			
Land use rights		43,462	44,457
Amounts due from related companies	11	16,371	121,456
Inventories		7,269	7,732
Trade receivables	12(a)	12,529	104,575
Prepayments, deposits and other receivables	12(b)	17,564	224,500
Amounts due from customers for contract work		–	88,415
Tax recoverable		–	4,957
Pledged bank deposits		29,230	3,220
Bank balances and cash		2,349,973	2,844,905
		<b>2,476,398</b>	3,444,217
Disposal groups classified as held-for-sale	7	1,385,466	1,045,743
		<b>3,861,864</b>	4,489,960
<b>Current liabilities</b>			
Trade and bills payables	13(a)	16,235	53,550
Other payables, deposits received, receipt in advance and accruals	13(b)	59,817	203,884
Borrowings – due within one year	14	73,584	201,616
Amounts due to related companies	11	7,475	91
Convertible loan notes and related payables	15	–	187,836
Embedded derivative components of convertible loan notes	15	–	11,996
Tax liabilities		16,654	17,429
Financial guarantee liabilities	17	–	6,255
Deferred revenue		35,159	34,349
Obligations under finance leases		271	266
		<b>209,195</b>	717,272
Liabilities associated with disposal groups classified as held-for-sale	7	498,388	204,024
		<b>707,583</b>	921,296
<b>Net current assets</b>		<b>3,154,281</b>	3,568,664
<b>Total assets less current liabilities</b>		<b>4,740,906</b>	5,507,880

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred revenue		219,214	232,663
Borrowings – due after one year	14	491,307	518,066
Promissory note	19	–	543,773
Deferred tax liabilities		248,130	256,074
Obligations under finance leases		854	991
		<b>959,505</b>	1,551,567
<b>Net assets</b>			
		<b>3,781,401</b>	3,956,313
<b>Capital and reserves</b>			
Share capital	16	4,731,480	4,731,480
Reserves		(1,382,389)	(1,249,179)
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale		10,334	30,079
Equity attributable to owners of the Company		3,359,425	3,512,380
Non-controlling interests		421,976	443,933
<b>Total equity</b>		<b>3,781,401</b>	3,956,313

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000 (Note)	Translation reserve HK\$'000	Capital 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 groups classified as held-for-sale 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 income (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 16)	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
At 1 January 2016 (audited)	4,731,480	360	(72,716)	222,248	20,212	(1,419,283)	30,079	3,512,380	443,933	3,956,313
Loss for the period	-	-	-	-	-	(82,534)	-	(82,534)	(12,215)	(94,749)
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	(81,084)	-	-	-	10,663	(70,421)	(9,742)	(80,163)
Total comprehensive (expense) income for the period	-	-	(81,084)	-	-	(82,534)	10,663	(152,955)	(21,957)	(174,912)
Transfer to amounts recognised in other comprehensive income and accumulated equity relating to disposal groups classified as held-for-sale	-	(360)	30,768	-	-	-	(30,408)	-	-	-
At 30 June 2016 (unaudited)	4,731,480	-	(123,032)	222,248	20,212	(1,501,817)	10,334	3,359,425	421,976	3,781,401



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2016*

*Note:* 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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

## Six months ended 30 June

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(112,128)</b>	390
<b>INVESTING ACTIVITIES</b>		
Placement of pledged bank deposits	(29,698)	(9,772)
Withdrawal of pledged bank deposits	–	954
Placement of restricted bank deposits	(98)	–
Purchase of property, plant and equipment	(1,119)	(706)
Proceeds from disposal of property, plant and equipment	10	192
Deposit paid for acquisition of investment property	(144,978)	–
Purchase of intangible asset	(30)	–
Repayments from related companies	–	11,613
Advance to related companies	(7,824)	(136,169)
Interest received	3,686	51,832
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(180,051)</b>	(82,056)
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	88,176	284,594
Repayments of bank loans	(165,670)	(271,577)
Repayment of finance leases	(132)	–
Repayment of convertible bonds	(116,489)	–
Proceeds from issue of shares	–	92,257
Expenses on issue of shares	–	(3,027)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(194,115)</b>	102,247
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(486,294)</b>	20,581
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>2,850,966</b>	31,174
Effect of foreign exchange rate changes	(3,597)	72
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>2,361,075</b>	51,827
Represent by:		
Bank balances and cash	2,349,973	51,591
Cash and cash equivalents included in disposal groups held-for-sale	11,102	236
	<b>2,361,075</b>	51,827

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 1. GENERAL AND BASIS OF PREPARATION

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

Pursuant to a special resolution passed on 17 June 2016, the Company changed the name from HNA International Investment Holdings Limited (海航國際投資集團有限公司) to HNA Holding Group Co. Limited (海航實業集團股份有限公司).

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was modified and also included a reference to matter to which the auditor drew attention by way of emphasis, and contained a statement under sections 407(2) and (3) of the Hong Kong Companies Ordinance.

During the six months ended 30 June 2016, the Company has entered into the sale and purchase agreement with an independent third party in relation to the proposed disposal of entire issued share capital of Made Connection Limited (“**Made Connection**”), a subsidiary of the Company, after restructuring as required. The directors of the Company consider that disposal is highly probable as at 30 June 2016 and thus, the relevant assets and liabilities of Made Connection and its subsidiaries, which are mainly involved in intelligent information business (the “**Intelligent Information Business**”), are classified as a disposal group held-for-sale and liabilities associated with a disposal group held-for-sale respectively and its income and expenses presented as a discontinued operation in the condensed consolidated financial statements for the six months ended 30 June 2016 in accordance with HKFRS 5 “*Non-current assets held for sale and discontinued operations*”. As such, the comparatives of these condensed consolidated statement of profit or loss and other comprehensive income have been represented. The details of the disposal are set out in Note 7(b).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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.

The application of above 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

*For the six months ended 30 June 2016***3. SEGMENT INFORMATION**

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

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

Golf club and hotel business	–	Operation of golf club and provision of hotel and leisure services
Sales of light emitted diode products	–	Provision of system design, and sales of system hardware and light emitted diode products

Since 2011, a reportable and operating segment namely the “Digital television technical solutions and equipment business” (the “**DTV Business**”) was classified as a disposal group held-for-sale and included in discontinued operation. In 2016, a reportable and operating segment of the Group, namely “Intelligent Information Business” was discontinued as the Group has resolved to dispose it as detailed in Note 7(b). The segment information reported below does not include any amounts for these discontinued operations, which is described in more detail in Note 7, and the comparative figures in the segment information for the six months ended 30 June 2015 have been represented.

**(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:

**Continuing operations***For the six months ended 30 June 2016 (unaudited)*

	Golf club and hotel business HK\$’000	Sales of light emitted diode products HK\$’000	Total HK\$’000
<b>SEGMENT REVENUE</b>			
External sales	65,186	438	65,624
Segment loss	(22,283)	(1,288)	(23,571)
Unallocated income and gains			60,976
Unallocated expenses			(35,596)
Gain on derecognition of the derivative components of convertible loan notes			11,996
Finance costs			(31,511)
Loss before tax (continuing operations)			(17,706)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***3. SEGMENT INFORMATION** (continued)**(a) Segment revenue and results** (continued)**Continuing operations** (continued)*For the six months ended 30 June 2015 (unaudited and restated)*

	Golf club and hotel business <i>HK\$'000</i>	Sales of light emitted diode products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>			
External sales	78,883	459	79,342
Segment loss	(8,150)	(906)	(9,056)
Unallocated income and gains			2,508
Unallocated expenses			(15,108)
Gain on fair value change of the derivative components of convertible loan notes			12,135
Finance costs			(45,901)
Loss before tax (continuing operations)			(55,422)

Segment loss represents the loss from each segment without allocation of bank interest income, exchange gain, 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 2016 and 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**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:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
<b>Reportable segment assets</b>		
Continuing operations		
Golf club and hotel business	1,483,700	2,064,891
Sales of light emitted diode products	1,609	2,881
	<b>1,485,309</b>	2,067,772
<b>Reportable segment liabilities</b>		
Continuing operations		
Golf club and hotel business	558,685	572,255
Sales of light emitted diode products	5,728	6,748
	<b>564,413</b>	579,003

**4. OTHER GAINS AND LOSSES**

	<b>Six months ended 30 June</b>	
	<b>2016 HK\$'000 (unaudited)</b>	2015 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>		
Gain on fair value change of the derivative components of convertible loan notes ( <i>Note 15</i> )	–	12,135
Gain on derecognition of the derivative components of convertible loan notes ( <i>Note 15</i> )	11,996	–
Net exchange gain (loss)	55,267	(72)
Loss on disposal of property, plant and equipment	–	(83)
Others	(61)	–
	<b>67,202</b>	11,980

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***5. INCOME TAX CREDIT**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Deferred tax		
Current period	<b>(2,256)</b>	(1,053)

For the six months ended 30 June 2016 and 2015, 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%. For the six months ended 30 June 2016 and 2015, no provision for PRC Enterprise Income Tax has been made as the group entities subject to Enterprise Income Tax have no assessable profit for both periods.

**6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited) (restated)
<b>Continuing operations</b>		
Amortisation of land use rights (included in cost of sales)	<b>22,115</b>	23,217
Depreciation of property, plant and equipment	<b>8,813</b>	7,249
Total depreciation and amortisation	<b>30,928</b>	30,466
Auditor's remuneration	<b>1,531</b>	1,074
Bank interest income	<b>(3,529)</b>	(45)
Interest income on amount due from related companies	<b>(11,643)</b>	(26,061)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE**

The loss for the period from the discontinued operations is analysed as follows:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (restated)
Loss of DTV Business	(64,624)	(68,049)
Loss of Intelligent Information Business	(14,675)	(24,349)
Loss for the period from discontinued operations	<b>(79,299)</b>	(92,398)
Loss for the period from discontinued operations attributable to:		
Owners of the Company	(73,242)	(82,397)
Non-controlling interests	(6,057)	(10,001)
	<b>(79,299)</b>	(92,398)

The assets and liabilities associated with discontinued operations is analysed as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
<b>Disposal groups classified as held-for-sale</b>		
DTV Business	966,548	1,045,743
Intelligent Information Business	418,918	–
	<b>1,385,466</b>	1,045,743
<b>Liabilities associated with disposal groups classified as held-for-sale</b>		
DTV Business	119,874	204,024
Intelligent Information Business	378,514	–
	<b>498,388</b>	204,024
<b>Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale</b>		
DTV Business	40,742	30,079
Intelligent Information Business	(30,408)	–
	<b>10,334</b>	30,079



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(a) DTV Business**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>HK\$'000</i> <b>(unaudited)</b>	2015 <i>HK\$'000</i> (unaudited)
Revenue	–	–
Cost of sales	<b>(57,350)</b>	(60,198)
Gross loss	<b>(57,350)</b>	(60,198)
Other income	<b>135</b>	341
Other gains and losses	<b>(3,642)</b>	36
Administrative expenses	<b>(2,262)</b>	(2,182)
Finance costs	<b>(1,505)</b>	(6,046)
Loss before tax	<b>(64,624)</b>	(68,049)
Income tax expense	–	–
Loss for the period from discontinued operation and attributable to owners of the Company	<b>(64,624)</b>	(68,049)

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

	<b>30 June</b> <b>2016</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2015 <i>HK\$'000</i> (audited)
Property, plant and equipment ( <i>Note (7)(a)(i)</i> )	<b>436,000</b>	494,937
Investment properties ( <i>Note (7)(a)(ii)</i> )	<b>39,025</b>	38,318
Goodwill	<b>12,932</b>	13,228
Intangible assets	<b>289,043</b>	305,969
Trade receivables ( <i>Note (7)(a)(iii)</i> )	<b>164,041</b>	167,794
Prepayments and other receivables	<b>19,086</b>	19,198
Restricted bank deposits	<b>275</b>	238
Bank balances and cash	<b>6,146</b>	6,061
Disposal group classified as held-for-sale	<b>966,548</b>	1,045,743

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(a) DTV Business** (continued)

	<b>30 June</b> <b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2015 HK\$'000 (audited)
Trade and bills payables (Note (7)(a)(iv))	9,863	11,864
Other payables and accruals	22,318	23,676
Tax liabilities	87,693	89,700
Bank borrowings (Note (7)(a)(v))	–	78,784
Amounts due to group entities	<b>1,323,098</b>	1,264,182
Total liabilities associated with disposal group classified as held-for-sale	<b>1,442,972</b>	1,468,206
Less: Amounts due to group entities	<b>(1,323,098)</b>	(1,264,182)
Liabilities associated with disposal group classified as held-for-sale	<b>119,874</b>	204,024
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	<b>40,742</b>	30,079

For presentation in the condensed consolidated statement of financial position as at 30 June 2016 and 31 December 2015, the amounts due to group entities amounting to HK\$1,323,098,000 (31 December 2015: HK\$1,264,182,000) has been excluded from the total liabilities associated with disposal group classified as held-for-sale.

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

	<b>Six months ended 30 June</b> <b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	2015 HK\$'000 (unaudited)
Amortisation of intangible assets (included in cost of sales)	10,261	10,772
Increase in fair value change of investment properties	(1,591)	–
Depreciation of property, plant and equipment	48,689	51,359
Bank interest income	(50)	(1)
Rental income from leasing of investment properties	(28)	(153)
Rental income from leasing of motor vehicles	–	(62)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(a) DTV Business** (continued)

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

	<i>HK\$'000</i>
<b>30 June 2016 (unaudited)</b>	
Net cash outflows used in operating activities	<b>(10,386)</b>
Net cash outflows used in investing activities	<b>(128)</b>
Repayment of bank borrowings	<b>(78,382)</b>
Advance from group entities	<b>88,981</b>
Net cash inflows from financing activities	<b>10,599</b>
Net cash inflows	<b>85</b>
<b>30 June 2015 (unaudited)</b>	
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	<b>158</b>

As disclosed in the Company's 2010 to 2015 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.

On 7 March 2016, the Company entered into a memorandum of understanding (the "**MOU**") with an independent third party in relation to the proposed disposal of the DTV Business, details of which are disclosed in the announcement of the Company dated 7 March 2016. As the parties to the MOU did not enter into a definitive agreement by 31 May 2016, being the long stop date of the MOU, the parties to the MOU have terminated all negotiations on the proposed disposal of the DTV Business.

Up to 30 June 2016, the Directors were seeking for a potential buyer for the disposal of certain subsidiaries of the Group (collectively referred as the "**DTV Disposal Group**"). As at 30 June 2016, there was no formal sales agreement and no valuation of the DTV Disposal Group has been concluded.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (continued)

#### (a) DTV Business (continued)

The Directors are committed to sell the DTV Disposal Group in the near future as the policy of the Reform remains unchanged. The Directors consider the disposal transaction remains highly probable and are of the view it is appropriate to continue classifying the DTV Disposal Group as held-for-sale in the condensed consolidated statement of financial position as at 30 June 2016 and 31 December 2015.

As at 30 June 2016, the net assets value (excluding amounts due to group entities) of the DTV Disposal Group included in the condensed consolidated financial statements (the “**2016 Net Assets Value of the DTV Disposal Group**”) amounted to HK\$846,674,000 (31 December 2015: HK\$841,719,000). The Directors contemplated that the consideration for the disposal transaction should reasonably be in line with the fair value.

#### *Agreement entered into between the Company and a related company*

On 17 August 2016, the Company and Leader Concept (as defined in Note 24(d)), entered into the Agreement (as defined in Note 24(d)) to disposal of the DTV Disposal Group. The details of Agreement are set out in Note 24(d).

The Directors are of the view that the disposal of the DTV Disposal Group is considered highly probable and as such no impairment in respect of the DTV Disposal Group is expected as at 30 June 2016 because the net proceeds from the Disposal (as defined in Note 24(d)) and Repayment Obligations (as defined in Note 24(d)) are expected to exceed the 2016 Net Assets Value of the DTV Disposal Group. The Directors consider that the Agreement and the transactions contemplated thereunder are fair and reasonable, and executed in normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole. The ultimate outcome of the completion of the Disposal cannot be assessed at this stage. As the Group is required to measure the DTV Disposal Group at the lower of its carrying amount and fair value less costs of disposal, there may be an impact on the carrying amounts of the DTV Disposal Group depending on the ultimate outcome of the completion of the Disposal.

#### (i) *Property, plant and equipment*

For the six months ended 30 June 2016, the DTV Disposal Group acquired property, plant and equipment of approximately HK\$135,000 (six months ended 30 June 2015: HK\$106,000) for DTV Business.

#### (ii) *Investment properties at fair value*

The fair values of the investment properties of DTV Business at 31 December 2015 and 30 June 2016 had been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited (“**Vigers**”). 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’s property interests in leasehold land in the PRC to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(a) DTV Business** (continued)**(iii) 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:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Over 2 years	<b>164,041</b>	167,794

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 taking into account of the potential disposal.

**(iv) 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 the reporting period based on the invoice date is as follows:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
181 – 365 days	–	20
1 – 2 years	<b>2,801</b>	2,787
Over 2 years	<b>7,062</b>	9,057
	<b>9,863</b>	11,864

**(v) Bank borrowings**

During the six months ended 30 June 2016 and 2015, 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 2016, the Group repaid bank borrowings amounting to approximately HK\$78,382,000 (six months ended 30 June 2015: HK\$89,631,000).

As at 31 December 2015, the bank borrowings associated with the DTV Disposal Group classified as held-for-sale were variable rate borrowings which carried interest at two to five years benchmark interest rate of The People's Bank of China with 0% – 20% mark up, unsecured and fully repaid in the current period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(b) Intelligent Information Business**

On 13 January 2016, the Company entered into the sale and purchase agreement with an independent third party in relation to the proposed disposal of entire issued share capital of Made Connection, a subsidiary of the Company, after restructuring as required (the “**Intelligent Information Business Disposal Group**”) at a consideration of RMB120,000,000 (the “**Intelligent Information Business Disposal**”). Pursuant to the sale and purchase agreement, immediately upon the completion of the sale and purchase agreement, all intercompany balances between the Intelligent Information Business Disposal Group and the remaining group entities should be irrevocably waived on a dollar-to-dollar basis. Details are set out in the announcement dated 13 January 2016. Made Connection and its subsidiaries are mainly engaged in Intelligent Information Business. The Intelligent Information Business Disposal was approved by the shareholders of the Company on 22 February 2016. As at the date these condensed consolidated financial statements were authorised for issuance, the disposal has not been completed due to certain unfulfilled conditions. A reportable and operating segment namely “Intelligent Information Business” was classified as a disposal group held-for-sale and included in discontinued operation.

The loss for the period from the discontinued operation in respect of Intelligent Information Business is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
Revenue	<b>85,704</b>	60,750
Cost of sales	<b>(75,374)</b>	(52,979)
Gross profit	<b>10,330</b>	7,771
Other income	<b>107</b>	45
Other expense	<b>(390)</b>	(306)
Other gains and losses	<b>(11,930)</b>	(17,734)
Selling and distribution costs	<b>(1,807)</b>	(1,312)
Administrative expenses	<b>(6,920)</b>	(7,325)
Finance costs	<b>(4,065)</b>	(5,488)
Loss before tax	<b>(14,675)</b>	(24,349)
Income tax expense	<b>–</b>	–
Loss for the period from discontinued operation	<b>(14,675)</b>	(24,349)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(b) Intelligent Information Business** (continued)

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

	30 June 2016 HK\$'000 (unaudited)
Property, plant and equipment ( <i>Note (7)(b)(i)</i> )	5,409
Available-for-sale investments	828
Intangible assets	163
Inventories	684
Trade and bills receivables ( <i>Note (7)(b)(ii)</i> )	58,349
Prepayments, deposits and other receivables ( <i>Note (7)(b)(iii)</i> )	225,875
Amounts due from customers for contract work	119,499
Pledged bank deposits	3,155
Bank balances and cash	4,956
Amounts due from group entities	313,565
	<hr/>
Disposal group classified as held-for-sale	732,483
Less: Amounts due from group entities	(313,565)
	<hr/>
Disposal group classified as held-for-sale	418,918

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(b) Intelligent Information Business** (continued)

	30 June 2016 HK\$'000 (unaudited)
Trade payables ( <i>Note (7)(b)(iv)</i> )	66,404
Other payables, receipt in advance and accruals	121,167
Financial guarantee liabilities ( <i>Note 17</i> )	8,544
Tax liabilities	385
Bank borrowings ( <i>Note (7)(b)(v)</i> )	140,507
Amounts due to group entities	697,920
Total liabilities associated with disposal group classified as held-for-sale	1,034,927
Deposit received from purchaser relating to disposal of Intelligent Information Business	41,507
Total liabilities associated with disposal group classified as held-for-sale	1,076,434
Less: Amounts due to group entities	(697,920)
Liabilities associated with disposal group classified as held-for-sale	378,514
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	(30,408)

For presentation in the condensed consolidated statement of financial position as at 30 June 2016, the amounts due from group entities, amounts due to group entities amounting to HK\$313,565,000 and HK\$697,920,000 respectively have been excluded from the total assets and total liabilities associated with disposal group classified as held-for-sale.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(b) Intelligent Information Business** (continued)

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

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited) (restated)
Amortisation of intangible assets (included in cost of sales)	34	380
Auditor's remuneration	90	89
Research and development expense (include in other expenses)	390	306
Depreciation of property, plant and equipment	653	912
Loss on issuing financial guarantee contracts	3,788	2,367
Amortisation of financial guarantee contracts	(1,316)	(1,857)
Impairment loss recognised in respect of trade receivables	7,171	3,918
Impairment loss recognised in respect of other receivables	-	5,779
Impairment loss recognised in respect of amounts due from customers for contract work	2,231	7,465
Bank interest income	(107)	(44)

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

	<i>HK\$'000</i>
<b>30 June 2016 (unaudited)</b>	
Net cash outflows used in operating activities	(5,643)
Net cash outflows used in investing activities	(279)
Net cash outflows used in financing activities	(8,313)
Net cash outflows	(14,235)
<b>30 June 2015 (unaudited)</b>	
Net cash inflows from operating activities	27,075
Net cash outflows used in investing activities	(8,316)
Net cash outflows used in financing activities	(22,442)
Net cash outflows	(3,683)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(b) Intelligent Information Business** (continued)**(i) Property, plant and equipment**

For the six months ended 30 June 2016, the Intelligent Information Business Disposal Group acquired property, plant and equipment of approximately HK\$302,000 (for the six months ended 30 June 2015: HK\$7,000) to operate its Intelligent Information Business.

**(ii) Trade and bills receivables**

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

An aged analysis of the trade and bills receivables associated with the Intelligent Information Business 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:

	<b>30 June 2016</b> <b>HK\$'000</b> <b>(unaudited)</b>
0 – 90 days	13,049
91 – 180 days	40,809
181 – 365 days	1,845
1 – 2 years	2,646
	<b>58,349</b>

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.

**(iii) Prepayments, deposits and other receivables**

As at 30 June 2016, the balances include advances to suppliers of HK\$48,448,000, other receivables of HK\$77,934,000 and deposit for projects in relation to Intelligent Information Business of HK\$36,099,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE** (continued)**(b) Intelligent Information Business** (continued)**(iv) Trade payables**

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

	<b>30 June 2016</b> <b>HK\$'000</b> <b>(unaudited)</b>
0 – 90 days	<b>40,770</b>
91 – 180 days	<b>1,126</b>
181 – 365 days	<b>2,252</b>
1 – 2 years	<b>14,151</b>
Over 2 years	<b>8,105</b>
	<b>66,404</b>

**(v) Bank borrowings**

At 30 June 2016, the carrying amount of bank borrowings are repayable within one year and unsecured.

During the six months ended 30 June 2016, there were new bank borrowings amounting to approximately HK\$62,824,000 (for the six months ended 30 June 2015: HK\$159,466,000) associated with the Intelligent Information Business Disposal Group classified as held-for-sale obtained by the Group.

During the six months ended 30 June 2016, the Group repaid bank borrowings amounting to approximately HK\$71,137,000 (for the six months ended 30 June 2015: HK\$181,908,000). The bank borrowings associated with the Intelligent Information Business Disposal Group classified as held-for-sale are variable rate borrowings which carry interest at one year benchmark interest rate of The People's Bank of China plus 2.3% per annum and are repayable in one year from the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***8. 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:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<b>82,534</b>	134,819
	<b>2016</b>	2015
	<b>'000</b>	'000
		(restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>11,399,996</b>	4,076,351

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the six months ended 30 June 2015 has been adjusted to reflect the bonus element of the rights issue on 18 November 2015.

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 2016 and 2015 because the assumed exercise of share options and conversion of convertible loan notes would result in decrease in loss per share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***8. 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:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited) (restated)
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company	<b>82,534</b>	134,819
Less: Loss for the period from discontinued operations attributable to owners of the Company	<b>73,242</b>	82,397
Loss for the purposes of basic and diluted loss per share from continuing operations	<b>9,292</b>	52,422

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

**From discontinued operations**

Basic and diluted loss per share for the discontinued operations is HK0.64 cents per share (six months ended 30 June 2015: HK2.02 cents per share (restated)).

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited) (restated)
Loss for the period for discontinued operations attributable to owners of the Company	<b>73,242</b>	82,397

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

*For the six months ended 30 June 2016*

### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2016, the Group incurred approximately HK\$681,000 (six months ended 30 June 2015: HK\$600,000) 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 amounting of HK\$39,831,000 has been reclassified from non-current other receivables to property, plant and equipment in the six months ended 30 June 2015.

For the six months ended 30 June 2015, the Group disposed of certain equipment with an aggregate carrying amount of HK\$279,000 for cash proceeds of HK\$192,000, resulting in a loss on disposal of HK\$87,000. There is no disposal incurred from continuing operation during current interim period.

### 10. DEPOSIT PAID FOR ACQUISITION OF INVESTMENT PROPERTY

The Group entered into a sale and purchase agreement on 18 April 2016 (the “**S&P Agreement**”) with Fourteen Ninety Two Limited (the “**Seller**”), an independent third party, to acquire an investment property which is a commercial building situated in Canary Wharf, London (the “**Target Property**”), at a consideration of Great British Pound (“**GBP**”) 131,000,000 (equivalent to approximately HK\$1,540,000,000 at 18 April 2016). Pursuant to the S&P Agreement, the deposit of GBP13,100,000 (equivalent to approximately HK\$144,978,000 at the date of payment) was paid by the Company to an agent as stakeholder for the Seller. The acquisition was completed on 12 July 2016.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 11. AMOUNTS DUE FROM/TO RELATED COMPANIES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Interest-bearing advance to Guangzhou HNA Real Estate Development Company Limited (" <b>Guangzhou HNA Real Estate</b> ") (Note a)	–	451,052
Interest receivables on interest-bearing advance to Guangzhou HNA Real Estate (Note a)	–	53,957
Amounts due from other related companies (Note b)	16,371	43,975
	<b>16,371</b>	548,984
Less: amounts repayable within one year shown under current assets	<b>(16,371)</b>	(121,456)
Amounts shown under non-current assets	–	427,528
Amounts due to other related companies (Note b)	<b>7,475</b>	91

## Notes:

- (a) Guangzhou HNA Real Estate is a subsidiary of HNA Group Co., Ltd ("**HNA Group**"), which is an ultimate parent of the Company. As such, Guangzhou HNA Real Estate is a related company of the Group. As at 31 December 2015, the advance to Guangzhou HNA Real Estate of HK\$451,052,000 carried interest at 9% per annum. Based on the agreed repayment terms, HK\$57,131,000 was classified as current assets and the remaining amounts of HK\$393,921,000 were classified as non-current assets respectively.

The amount of HK\$53,957,000 at 31 December 2015 represented the interest receivables arising from the advance to Guangzhou HNA Real Estate.

During the six months ended 30 June 2016, the advance to and interest receivables from Guangzhou HNA Real Estate was fully offset with the promissory note issued by the Company. Details are set out in Notes 19 and 20 respectively.

- (b) At 30 June 2016 and 31 December 2015, amounts due from/to other related companies represented the amounts due from/to other subsidiaries of HNA Group.

At 31 December 2015, amounts due from other related companies with principal amount of HK\$36,217,000 were measured at amortised cost amounting to HK\$33,607,000 using an effective interest rate of 9% per annum and were classified as an 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 the reporting period. The remaining amount of HK\$10,368,000 was interest-free, unsecured and repayable on demand.

At 30 June 2016, amounts due from other related companies are interest free, unsecured and repayable on demand.

At 30 June 2016 and 31 December 2015, 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

*For the six months ended 30 June 2016***12. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES****(a) Trade 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 receivables at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts, is as follows:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
0 – 90 days	<b>8,756</b>	79,677
91 – 180 days	<b>577</b>	7,266
181 – 365 days	<b>2,506</b>	10,995
1 – 2 years	<b>19</b>	6,637
Over 2 years	<b>671</b>	–
	<b>12,529</b>	104,575

**(b) Prepayments, deposits and other receivables**

At 31 December 2015, the balance recognised in the consolidated statement of financial position mainly included advances to suppliers in relation to the Intelligent Information Business of HK\$88,758,000, other receivables of HK\$79,343,000 and deposit for projects for the Intelligent Information Business of HK\$27,360,000. The outstanding balances of these items as at 30 June 2016 are grouped under a disposal group classified as held-for-sale (Note 7(b)).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***13. 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 the reporting period:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
0 – 90 days	<b>8,080</b>	10,627
91 – 180 days	<b>29</b>	4,214
181 – 365 days	<b>–</b>	20,316
1 – 2 years	<b>10</b>	875
Over 2 years	<b>8,116</b>	17,518
	<b>16,235</b>	53,550

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

At 31 December 2015, 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. At 31 December 2015, the balance also included an other payable to an independent third party, amounting to approximately HK\$70,257,000. The amount was unsecured, interest-free and fully repaid during the six months ended 30 June 2016.

At 30 June 2016, the balance mainly represented other taxes payable and accrued staff costs for continuing operations of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***14. BORROWINGS**

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Borrowings comprise of bank borrowings which are repayable		
Within one year	<b>73,584</b>	201,616
More than one year, but not more than two years	<b>30,342</b>	31,036
More than two years, but not more than five years	<b>382,776</b>	403,471
More than five years	<b>78,189</b>	83,559
	<b>564,891</b>	719,682
Secured	<b>539,038</b>	567,604
Unsecured	<b>25,853</b>	152,078
	<b>564,891</b>	719,682

During the six months ended 30 June 2016, the Group obtained new bank borrowings amounting to approximately HK\$25,352,000 (six months ended 30 June 2015: HK\$284,594,000) and also repaid bank borrowings amounting to approximately HK\$16,151,000 (six months ended 30 June 2015: HK\$181,946,000). All the borrowings are interest bearing.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***15. 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 2016 and 2015 are set out as follows:

	2016		2015	
	Debt component HK\$'000	Derivative components HK\$'000	Debt component HK\$'000	Derivative components HK\$'000
At 1 January (audited)	119,477	11,996	115,077	10,868
Interest charge for the period	-	-	18,618	-
Gain on fair value change	-	-	-	(12,135)
Derecognition	-	(11,996)	-	-
Exchange realignment	(2,988)	-	(9)	-
Reversal on substantial modification of convertible loan notes (including cumulative interests)	-	-	(131,700)	-
Recognition of new convertible loan notes	-	-	100,399	25,860
Repayment of principal amount	(116,489)	-	-	-
At 30 June (unaudited)	-	-	102,385	24,593
Interest payable of convertible loan notes	-	-	63,400	-
Interest charge	-	-	593	-
At 30 June (unaudited)	-	-	63,993	-
Total	-	-	166,378	24,593

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) (the "**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 were disclosed in the Group's annual financial statements for the year ended 31 December 2015. 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**").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***15. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES** (continued)

On 24 August 2015, the Company entered into a supplemental agreement with Templeton that the maturity date and conversion option expiry date of the 2014 Convertible Bond I was further extended by one year to 5 June 2016 (“**New Maturity Date**”). Other terms and conditions of this new convertible bond (“**New Convertible Bond I**”) remained unchanged from the original Convertible Bond I.

The extension of the debt and derivative components was 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 the New Convertible Bond I was recognised.

On 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 approximated to the carrying amounts of the 2014 Convertible Bond I as at the date of initial recognition, and accordingly no gain or loss was recorded. The effective interest rate of the debt component of the New Convertible Bond I and interest payable of the New Convertible Bond I was 25.63% per annum.

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

	<b>31 December 2015</b>	5 June 2015
Stock price	<b>HK\$0.44</b>	HK\$0.71
Exercise price ( <i>Note a</i> )	<b>HK\$0.52</b>	HK\$0.577
Volatility ( <i>Note b</i> )	<b>96%</b>	76%
Dividend yield	<b>0%</b>	0%
Option life	<b>0.42 year</b>	1 year
Risk-free rate ( <i>Note c</i> )	<b>0.07%</b>	0.08%

*Notes:*

- (a) On 19 November 2015, the conversion price of New Convertible Bond I was adjusted from HK\$0.577 per share to HK\$0.52 per share upon completion of the rights issue (details set out in Note 16).
- (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 Exchange Fund Notes at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***15. CONVERTIBLE LOAN NOTES AND RELATED PAYABLES AND EMBEDDED DERIVATIVE COMPONENTS OF CONVERTIBLE LOAN NOTES** (continued)

As at 31 December 2015, the carrying amount of the debt component of the convertible loan notes was approximately HK\$119,477,000, the fair value of the derivative components of convertible loan notes was approximately HK\$11,996,000 and the interest payable of the convertible loan notes was approximately HK\$68,359,000. During the six months ended 30 June 2016, interest expense of approximately HK\$6,912,000 was charged to profit or loss. No conversion was noted for the six months ended 30 June 2016 and 2015. On 5 June 2016, the Company has fully redeemed the New Convertible Bond I at principal amount of US\$15,000,000 (equivalent to approximately HK\$116,508,000) and repaid interest payable of US\$9,709,000 (equivalent to approximately HK\$75,412,000). A gain on derecognition of the derivative components of convertible loan notes of HK\$11,996,000 is credited to profit or loss during the six months ended 30 June 2016.

**16. SHARE CAPITAL**

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016	20,000,000,000	N/A
Issued and fully paid:		
At 1 January 2015	3,698,713,179	1,834,488
Issues of shares on 13 January 2015 (Note a)	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 (Note b)	110,000,000	68,602
Rights issue (Note c)	7,328,568,922	2,750,714
At 31 December 2015 and 30 June 2016	11,399,996,101	4,731,480

*Notes:*

- a. 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 market 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 20. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 16. SHARE CAPITAL (continued)

*Notes: (continued)*

- b. 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 not less 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. Such subscription was completed on 12 June 2015.

- c. On 18 November 2015, the Company issued and allotted 2,815,077,933 rights shares at a price of HK\$0.376 per right share to subscribers. The maximum number of rights shares available for issuance is 7,328,568,922. Remaining under-subscribed 4,513,490,989 rights shares, pursuant to the underwriting agreement signed with an underwriter, were subscribed to the underwriter on the same date.

### 17. CONTINGENT LIABILITIES

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Guarantee given to banks, in respect of banking facilities to third parties		
– amount that could be required to be paid if the guarantee was called upon in entirety	<b>138,873</b>	99,674
– amount utilised	<b>110,982</b>	79,620

At 30 June 2016 and 31 December 2015, 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 2016, the Group has provided additional or renewed the existing financial guarantees to the third parties and fair value of these financial guarantees amounted to approximately HK\$3,788,000 (six months ended 30 June 2015: HK\$2,367,000) at initial recognition based on valuation performed by an independent valuer Vigers. At 31 December 2015, an amount of HK\$6,255,000 had been recognised as liabilities in the condensed consolidated statement of financial position. At 30 June 2016, an amount of HK\$8,544,000 has been recognised as liabilities associated with a disposal group classified as held-for-sale (Note 7(b)).

At 30 June 2016 and 31 December 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

For the six months ended 30 June 2016

### 18. 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 in the Group’s consolidated financial statements for the year ended 31 December 2015.

During the six months ended 30 June 2016 and 2015, 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:

	<b>Number of share options</b>
Outstanding as at 1 January 2015	132,121,810
Exercised during the period ( <i>Note</i> )	(22,714,000)
Addition after adjustment due to rights issue	<u>2,625,787</u>
Outstanding as at 31 December 2015 and 30 June 2016	<u>112,033,597</u>

*Note:* During the year ended 31 December 2015, 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.

### 19. PROMISSORY NOTE

The promissory note with a principal amount of HK\$743,100,000 is non-interest bearing and issued to a related company, Leader Well Management Limited (“**Leader Well**”). The fair value of the promissory note was approximately HK\$585,000,000 at the initial recognition. 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 31 December 2015, such promissory note amounting to HK\$543,773,000 was measured at amortised cost determined using the effective interest method. On 1 April 2016, the promissory note with carrying amount of HK\$557,208,000 was extinguished through entering an off-setting agreement with Guangzhou HNA Real Estate to set off the advance to, interest receivables from and other payables to Guangzhou HNA Real Estate with aggregate net carrying amount of HK\$549,824,000. The remaining balance of approximately HK\$7,384,000 is classified as amounts due to related companies in the condensed consolidated statement of financial position. During the six months ended 30 June 2016, the interest on promissory note is approximately HK\$13,435,000 (six months ended 30 June 2015: HK\$25,087,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 20. 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 15, the Group also entered into the following major non-cash transactions during the current and prior interim periods.

For the six months ended 30 June 2016, the Group, Guangzhou HNA Real Estate and Leader Well entered into an agreement to offset the advance to, interest receivables from and other payables to Guangzhou HNA Real Estate with aggregate net carrying amount of HK\$549,824,000 (Note 11) against promissory note with carrying amount of HK\$557,208,000 (Note 19).

For the six months ended 30 June 2015, pursuant to the terms of the Subscription (Note 16), 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 (Note 16), was offset with the loan from a third party of HK\$50,000,000 and the related interest payables 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 11) against loan from a related company of HK\$26,256,000.

On 11 February 2015, the Directors decided to occupy a building for use to utilise other receivable due from an independent third party of HK\$39,831,000. Such other receivables were reclassified as property, plant and equipment in the six months ended 30 June 2015.

### 21. 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 31 December and 30 June 2015. 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).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***21. FAIR VALUE MEASUREMENTS** (continued)**Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis** (continued)

Financial liabilities	Fair value as at 31 December 2015 (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 the New Convertible Bond I of HK\$11,996,000	Level 3	Binomial method  The key inputs are: stock price, exercise price, volatility, dividend yield, risk-free rate and option life	Volatility of 96% is applied in the New Convertible Bond I by reference to the historical volatility of the Company's share prices	The higher the 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 2016 and 2015.

**Reconciliation of Level 3 fair value measurements of financial liabilities**

	<b>Derivative components of convertible loan notes</b> <i>HK\$'000</i>
At 1 January 2015	10,868
Recognition of New Convertible Bond I	25,860
Gain arising on change of fair value	<u>(12,135)</u>
Carrying amount at 30 June 2015	<u>24,593</u>
Carrying amount at 1 January 2016	11,996
Derecognition	<u>(11,996)</u>
Carrying amount at 30 June 2016	<u>–</u>

The total gains or losses for the six months ended 30 June 2015 included an unrealised gain of HK\$1,267,000 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

For the six months ended 30 June 2016

### 21. FAIR VALUE MEASUREMENTS (continued)

#### Fair value measurements and valuation processes

In estimating the fair value of debt, derivative components and interest payables of convertible loan notes, the Group used market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation of the derivative components of convertible loan notes. The Directors worked 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 took 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 Exchange Fund Notes 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.

### 22. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Income</b>		
Interest income on advance to Guangzhou HNA Real Estate	10,042	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	1,601	3,084
Golf club membership income	4,039	–
Golf club competition events income	–	2,245
<b>Expenses</b>		
Imputed interest expenses on promissory note	13,435	25,087
Interest expense paid to Guangzhou HNA Real Estate	–	1,227
Laundry expense paid to a related company	515	642

Details of outstanding balances with Guangzhou HNA Real Estate and other subsidiaries of HNA Group and promissory note are set out in Notes 11 and 19 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016***22. RELATED PARTY TRANSACTIONS** (continued)**(b) Compensation of key management personnel**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short term benefits	<b>5,204</b>	4,248
Post-employment benefits	<b>126</b>	54
	<b>5,330</b>	4,302

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

**23. CAPITAL COMMITMENTS**

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements		
– acquisition of investment property	<b>1,182,773</b>	–
– acquisition of property, plant and equipment	<b>1,971</b>	173
	<b>1,184,744</b>	173

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 24. EVENTS AFTER THE REPORTING PERIOD

- (a) On 30 May 2016, the Company entered into a subscription agreement with independent subscribers, pursuant to which, the subscribers agreed to subscribe for convertible bonds in an aggregate principal amount of US\$52,000,000. As at 30 June 2016, the issuance of convertible bonds was subject to the approval of the shareholders of the Company. On 19 July 2016, the issuance of convertible bonds under specific mandate in an aggregate principal amount of US\$52,000,000 (equivalent to HK\$404,560,000) was completed. Details of convertible bonds are set out in the Company's announcements dated 30 May 2016 and 19 July 2016 and the Company's circular dated 24 June 2016.
- (b) On 12 July 2016, the acquisition of the Target Property is completed.
- (c) On 15 August 2016, 海航實業發展(深圳)有限公司 (Haihang Shiye Fazhan (Shenzhen) Company Limited\*) (the "**Haihang Shiye**"), a wholly-owned subsidiary of the Company entered into (1) a subscription agreement with 海航投資控股有限公司 (HNA Investment Holdings Ltd.\*) (the "**Limited Partner**") and 海南一帶一路股權投資基金有限公司 (Hainan Yidai Yilu Equity Investment Fund Company Limited\*) (the "**General Partner**") to purchase 10% interest of 海南海投一號投資合夥企業 (有限合夥) (Hainan Haitou Number 1 Investment Limited Partnership\*) (the "**Limited Partnership**") as a limited partner and (2) a management agreement with the Limited Partner and the General Partner to govern the rights and obligations of the General Partner and each of the limited partners of the Limited Partnership. The Limited Partnership was set up under the agreement entered by the Limited Partner and the General Partner with its principal scope of business in asset management (excluding management of financial products and securities and other restricted businesses), investment management (excluding futures, insurance, financial products and securities), investment development, investment consultation, trade and export and import services. The General Partner is a wholly-owned subsidiary of the Limited Partner. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Limited Partner indirectly own 100% of the total issued shares of Hong Kong HNA Holding Group Co. Limited and being an immediate holding company of the Company. Under the subscription agreement and management agreement, Haihang Shiye has agreed to make a capital commitment up to US\$20,000,000 (approximately HK\$155,200,000) to Limited Partnership. As at the date these condensed consolidated financial statements were authorised for issuance, the subscription has not been completed.
- (d) On 17 August 2016, the Company and Leader Concept Investments Limited ("**Leader Concept**"), a company which is ultimately controlled by HNA Group, the ultimate parent of the Company, entered into an agreement (the "**Agreement**") in relation to the disposal of the entire issued capital of South China Digital TV Holdings Limited (the "**Target Company**"), a wholly owned subsidiary of the Company, by the Company to Leader Concept at a cash consideration of HK\$1 (the "**Disposal**"). After the completion of the Disposal, Leader Concept will procure the Target Group and its subsidiaries (collectively referred as the "**Target Group**") to repay the shareholders' loan of HK\$950 million due to the Group (the "**Repayment Obligations**"). As at 30 June 2016, Target Group is principally engaged in the DTV Business of the Group. Pursuant to the Agreement, upon the completion of the Disposal, the Target Company should have completed restructuring to hold the subsidiaries of the Company which are principally engaged in the DTV Business and sales of light emitted diode products. The Disposal (together with the Repayment Obligations) constitutes a non-exempt connected transaction for the Company under the Listing Rules which requires the approval of the independent shareholders other than Leader Concept and its associates and those who are involved in or interested in the Disposal. Details of the Disposal and Repayment Obligations are set out in the Company's announcement dated 18 August 2016.

\* for identification purpose only

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

## 德勤

**TO THE BOARD OF DIRECTORS OF HNA HOLDING GROUP CO. LIMITED**

海航實業集團股份有限公司

**(FORMERLY KNOWN AS HNA INTERNATIONAL INVESTMENT HOLDINGS LIMITED**

海航國際投資集團有限公司)

(incorporated in Hong Kong with limited liability)

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of HNA Holding Group Co. Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 3 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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

Except as explained in the following paragraphs, 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.

### BASIS FOR QUALIFIED CONCLUSION

As described in Note 7 to the condensed consolidated financial statements, the sales agreement entered into between the Group and Hong Kong Guang Hua Resources Investments Company Limited, an independent third party, in relation to the disposal of certain subsidiaries of the Group (collectively referred to as the “**DTV Disposal Group**”) lapsed on 30 June 2013. As at 30 June 2016, the directors of the Company were still seeking for a potential buyer for the disposal of the DTV Disposal Group and considered the disposal transaction remained highly probable, however, no formal sales agreement had been concluded as at 30 June 2016. The directors of the Company were of the view that the carrying amounts of the assets included in the DTV Disposal Group were measured in accordance with applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) taking into account of the potential disposal.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the absence of a formal sales agreement and an appropriate valuation as at 30 June 2016 and 31 December 2015, we were unable to obtain sufficient information to assess, as at 30 June 2016 and 31 December 2015, (i) whether the disposal of the DTV Disposal Group was highly probable and the classification of the DTV Disposal Group as held-for-sale in the condensed consolidated financial statements was appropriate; and (ii) whether certain assets included in the DTV Disposal Group were measured in accordance with applicable HKFRSs. We were also unable to obtain sufficient information to assess whether the DTV Disposal Group in its entirety as at 31 December 2014 was measured at the lower of its net assets value and fair value less costs of disposal in accordance with HKFRS 5 “*Non-current Assets Held-for-sale and Discontinued Operations*” issued by the HKICPA as this could have an impact on the comparative figures reflected in the Group’s condensed consolidated statement of profit or loss and other comprehensive income. There were no other satisfactory procedures that we could adopt to satisfy ourselves as to the recoverable amounts of certain assets included in the DTV Disposal Group as at 31 December 2015 and 30 June 2016, and whether the DTV Disposal Group in its entirety as at 31 December 2014 was measured at the lower of its net assets value and fair value less costs of disposal in accordance with HKFRS 5. Any adjustment to the carrying amounts may have a consequential significant effect on the net assets and the performance of the Group for the relevant financial periods.

The above matters caused us to issue a qualified opinion in respect of the consolidated financial statements for the year ended 31 December 2015 and a disclaimer of review conclusion in respect of the condensed consolidated financial statements for the six months ended 30 June 2015 accordingly.

### QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to Note 7(a) to the condensed consolidated financial statements which explains that the Group has entered into a formal sales agreement (the “**Agreement**”) subsequent to the end of the reporting period with Leader Concept Investments Limited (“**Leader Concept**”), a company ultimately controlled by the ultimate parent of the Company, to dispose of the DTV Disposal Group to Leader Concept (the “**Disposal**”). The directors of the Company consider the Disposal is highly probable and are confident that the net proceeds from the Disposal would not be less than the net assets value of the DTV Disposal Group of approximately HK\$846,674,000 included in the condensed consolidated financial statements as at 30 June 2016. As at the date of this report, the Disposal is subject to the approval by the independent shareholders of the Company and accordingly, the ultimate outcome of the completion of the Disposal cannot be assessed at this stage. The ultimate outcome of completion of the Disposal may have a consequential impact on the recoverable amount of the DTV Disposal Group in its entirety.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 August 2016

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the first six months ended 30 June 2016, the Group recorded total revenue from continuing operations of HK\$65.6 million, representing a decrease of HK\$13.7 million (17.3%) compared with HK\$79.3 million (as restated) during the same period last year. The continuing operations mainly refer to the golf club and hotel business. The decline in revenue was due to persistent influence of bad weather, which forced the golf course to close down for total duration of 375.5 hours during the period (six months ended 30 June 2015: 86.5 hours), representing a dramatic increase of 334.1% compared with that for the same period last year.

During the period under review, despite the fact that the Company's golf club and hotel business in China was faced with significant challenges, including keen competition, transformation of macro-economy and persistent influence of bad weather, the management team of the Company had endeavored to enhance the business by various means. The management team of the Company, on one hand, continued to strengthen its cost control effectiveness and pursue operational excellence; on the other hand, tried to mitigate the negative impact by allowing the membership transfer at the second-hand market, arranging more golf game events and adopting innovative marketing strategies.

In line with the Company's transformation in investment direction, the management team of the Company has been continuing to seek opportunities to spin off its loss-making businesses. Following the signing of a memorandum of understanding with an independent third party in respect of the disposal of the Intelligent Information Business in November 2015, the formal sale and purchase agreement was signed on 13 January 2016.

On 17 August 2016, the Company entered into the sale and purchase agreement with a related party to dispose the DTV Business of which has been classified as held-for-sale business in the financial statements since 2011, and affiliated sales of light emitted diode products business.

It is expected that these two disposals will be completed in the second half of 2016.

### FINANCIAL REVIEW

#### Continuing operations

##### *Revenue, Cost of Sales and Gross Profit of the Group*

The Group's revenue for the reporting period amounted to HK\$65.6 million (six months ended 30 June 2015: HK\$79.3 million, as restated), representing a decrease of 17.3%. The decrease was mainly due to the decline in revenue of golf club and hotel business.

Cost of sales for the Group was HK\$63.6 million (six months ended 30 June 2015: HK\$64.9 million, as restated), representing a decrease of 2.0%. The decrease was mainly due to the decline in cost of sales of golf club and hotel business.

Gross profit of the Group amounted to HK\$2.1 million (six months ended 30 June 2015: HK\$14.5 million, as restated), representing a decrease of 85.5%.

Other income for the Group was HK\$17.4 million (six months ended 30 June 2015: HK\$32.0 million, as restated), which mainly comprised bank interest income, rental income and interest income from related companies. The decrease was due to restructuring of loan due from related companies.

Other gains and losses for the Group was HK\$67.2 million (six months ended 30 June 2015: HK\$12.0 million, as restated). The increase was mainly due to the exchange gain resulting from the continuing depreciation of the Renminbi against the Hong Kong dollar from proceeds of rights issue.

Loss attributable to owners of the Company amounted to HK\$9.3 million (six months ended 30 June 2015: HK\$52.4 million, as restated), representing a significant decrease of HK\$43.1 million (82.3%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### SEGMENT INFORMATION

#### Continuing operations

##### *Golf Club and Hotel Business*

The golf club and hotel business segment refers to the operations of the golf club and provision of hotel leisure services by the Group.

Revenue from this segment amounted to HK\$65.2 million for the reporting period (six months ended 30 June 2015: HK\$78.9 million) with operating loss of HK\$22.3 million (six months ended 30 June 2015: HK\$8.2 million).

##### *Sales of Light Emitted Diode Products and Others*

Sales of light emitted diode products and others segment refers to the provision of system design, and sales of system hardware and light emitted diode products by the Group.

During the period under review, revenue of sales of light emitted diode products and others segment amounted to HK\$0.4 million (six months ended 30 June 2015: HK\$0.5 million, as restated) with operating loss of HK\$1.3 million (six months ended 30 June 2015: HK\$0.9 million, as restated).

#### Discontinued operations

##### *Intelligent Information Business*

The Intelligent Information Business segment refers to the development and provision of system integration solutions, system design and sales of system hardware.

Revenue of this segment amounted to HK\$85.7 million for the period under review (six months ended 30 June 2015: HK\$60.8 million, as restated) with operating loss of HK\$14.7 million (six months ended 30 June 2015: HK\$24.3 million, as restated). The business has been suffering losses since 2012. The Group is now in the progress of disposing of this business (as disclosed in the circular of the Company dated 17 March 2016). The Intelligent Information Business has been classified as held-for-sale business in the condensed consolidated financial statements.

##### *DTV Business*

The Group was no longer engaged in the DTV Business. There was no operating income for the period under review for both 2016 and 2015. Total loss of the DTV Business was HK\$64.6 million (six months ended 30 June 2015: HK\$68.0 million). It has been the intention of the Group to dispose of this held-for-sale business.

### LIQUIDITY AND FINANCING ACTIVITIES

In order to minimise financing costs and further improve its liquidity position during the six months ended 30 June 2016, the Group has:

1. entered into an agreement which mainly offsets a loan to a related company and the promissory note; and
2. repaid the convertible loan note on its maturity date.

The Group's total capital<sup>1</sup> (equity and total debt<sup>2</sup>) decreased from HK\$5.0 billion as at 31 December 2015 to HK\$4.1 billion as at 30 June 2016. Meanwhile, the Group's total assets also decreased from HK\$6.4 billion as at 31 December 2015 to HK\$5.4 billion as at 30 June 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's gearing ratio (net debt<sup>2</sup> to total capital<sup>1</sup> ratio) as at 30 June 2016 was nil (31 December 2015: nil). The Group also entered into a subscription agreement on 30 May 2016 with two subscribers whereby the two subscribers have severally agreed to subscribe and pay for the convertible bonds in an aggregate principal amount of US\$52,000,000. The transaction was completed on 19 July 2016.

Save as the above, the Group's liquidity position remains strong to satisfy its capital commitments and working capital requirement.

*Note:*

- Total capital comprises of total debt plus equity attributable to owners of the Company.*
- Net debt comprises of total debt minus pledged bank deposits, bank balances and cash. Total debt comprises of bank and other borrowings, convertible loan notes, promissory note, obligations under finance leases.*

### CAPITAL STRUCTURE

As at 30 June 2016, the Group had bank borrowings of HK\$705.4 million, of which HK\$214.1 million were repayable within one year and HK\$491.3 million were repayable more than one year. Amongst the borrowings, 69.7% is pledged with land use rights and buildings.

During the current period, the effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings range from 5.00% to 6.55% for fixed-rate bank borrowings and range from 6.55% to 7.86% for variable-rate bank borrowings.

### CHARGE ON ASSETS

As at 30 June 2016, assets pledged to banks to secure banking facilities (including obligations under finance leases, bank borrowings and bills payables and mortgage granted on membership fee income) granted to the Group were as follows:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Hotel and buildings for golf club business	<b>249,971</b>	260,256
Land use rights	<b>1,173,484</b>	1,222,561
Bank deposits	<b>32,385</b>	3,220
Motor vehicles	<b>860</b>	1,329
Trade and bills receivables	<b>11,040</b>	–
Buildings for Intelligent Information Business	<b>1,574</b>	–
Total	<b>1,469,314</b>	1,487,366

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

The Group's ordinary operations and investments are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The Group's operating results may be affected by volatility of the Renminbi. The Group will regularly review its foreign exchange exposure and may consider using financial instruments to hedge against such exposure when appropriate. As at 30 June 2016, there were no derivative financial instruments employed by the Group.

### CONTINGENT LIABILITIES

As at 30 June 2016, the Group's contingent liabilities were generated from guarantees of HK\$138.9 million (31 December 2015: HK\$99.7 million) in total for credit facilities granted to third parties, and the amount drawn down was HK\$111.0 million (31 December 2015: HK\$79.6 million).

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

The Group entered into a sale and purchase agreement with an independent third party to dispose the Intelligent Information Business on 13 January 2016. The disposal was approved by the shareholders of the Company in March 2016, pending completion.

The Group has entered into a sale and purchase agreement with an independent third party to acquire interests in a property in London on 18 April 2016. The acquisition has been approved by shareholders of the Company at the general meeting held on 5 July 2016. The acquisition was completed on 12 July 2016.

The Group has entered into a subscription agreement and a management agreement on 15 August 2016 to participate in a partnership with the associates of a substantial shareholder of the Company. Such partnership is currently exploring a property development opportunity in the United States.

The Group entered into a sale and purchase agreement on 17 August 2016 with a company controlled by a substantial shareholder of the Company to dispose its DTV Business. The disposal is subject to the fulfilment of the condition precedents of approval by shareholders of the Company at the general meeting.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments or future plans of material investment during the period ended 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 899 employees as at 30 June 2016.

The Group's remuneration policies are to ensure the remuneration package as a whole is fair and competitive, motivate and retain current employees and attract potential talents. These remuneration packages have already carefully taken into account, amongst other aspects, the Group's businesses in different local geographic locations. The employees' remuneration packages comprise of salaries and discretionary bonuses, along with retirement schemes, medical insurance and share options which form a part of welfare benefits.

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") for all qualifying employees in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% (2015: 8% to 20%) of its payroll costs to the retirement benefit scheme. The obligation of the Group with respect to the retirement benefit scheme is to make the specific contribution.

### PROSPECT

Despite general global economic headwinds and uncertainty, the Group remains cautiously optimistic about its future prospects.

In the first half of 2016, the Group had taken a pivotal step to the disposal of each of the DTV Business and Intelligent Information Business. Such disposals will enhance the Group's financial base and will give the Group a better position to explore its new business opportunities.

The rebranding of the Group in July 2016 has also strengthened the ties with its parent company, HNA Group Co., Ltd.\* (海航集團有限公司). By way of cooperation with the parent company which can create synergy, the Group will be able to benefit from revenue enhancing and cost saving. The successful acquisition of a commercial property in London will generate stable cash flow to the Group, strengthen its financial position, and diversify its revenue streams so as to benefit the future development of the Group.

Leveraging the announced potential acquisition of a certain recreational and tourism service in the United States, and in conjunction with a property development opportunity in the United States developed by Tishman Speyer, a global real estate development and operating company, the Group will continue to strengthen and expand its principal businesses and explore opportunities to further diversify its businesses at the same time, with a view to further enhancing the growth of the Group and creating value for the shareholders of the Company.

\* *for identification purpose only*

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 2016 had the following interests in the shares and underlying shares of the Company as at 30 June 2016 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 interests as to % of the issued share capital of the Company as at 30 June 2016
		Interests in shares	Derivatives interests*	Total interests	
Leung Shun Sang, Tony	Beneficial owner	20,000,000	15,793,981	35,793,981	0.31%
Leung Kai Cheung	Beneficial owner	5,000,000	1,843,000	6,843,000	0.06%

\* 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.

Save as disclosed above, as at 30 June 2016, 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 2016.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, 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 June 2016	Note(s)
HNA Group (International) Company Limited ("HNA Group (International)")	Beneficial owner	1,109,244,000	9.73%	1
Hong Kong HNA Holding Group Co. Limited ("Hong Kong HNA")	Beneficial owner	6,510,130,189	57.11%	1, 2
HNA Financial Holdings International Co., Ltd.* (海航金控國際有限公司)	Interests of controlled corporations	6,510,130,189	57.11%	1
Beijing HNA Financial Holdings Co., Ltd.* (北京海航金融控股有限公司)	Interests of controlled corporations	6,510,130,189	57.11%	1
HNA Investment Holding Co., Ltd.* (海航投資控股有限公司)	Interests of controlled corporations	6,510,130,189	57.11%	1
HNA Group Co., Ltd.* ("HNA Group") (海航集團有限公司)	Interests of controlled corporations	7,619,374,189	66.84%	1
Hainan Traffic Administration Holding Co. Ltd.* (海南交管控股有限公司)	Interests of controlled corporations	7,619,374,189	66.84%	1
Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司)	Interests of controlled corporations	7,619,374,189	66.84%	1
Hainan Province Cihang Foundation* (海南省慈航公益基金會)	Interests of controlled corporations	7,619,374,189	66.84%	1
Hainan Airlines Co., Ltd. Trade Community Union* (海南航空股份有限公司工會委員會)	Interests of controlled corporations	7,619,374,189	66.84%	1
China Construction Bank Corporation	Security interests	2,084,000,000	18.28%	2
Central Huijin Investment Ltd.	Security interests	2,084,000,000	18.28%	2

*Notes:*

1. As at 30 June 2016, HNA Group is a company established in the PRC with limited liability which owns approximately 91.01% of HNA Group (International) and directly owns 100% of HNA Holding Group Co., Ltd.\* (海航實業集團有限公司), which in turn directly owns 100% of HNA Investment Holding Co., Ltd.\* (海航投資控股有限公司), which in turn directly owns 100% of Beijing HNA Financial Holdings Co., Ltd.\* (北京海航金融控股有限公司), which in turn owns 100% of HNA Financial Holdings International Co., Ltd.\* (海航金控國際有限公司). HNA Financial Holdings International Co., Ltd.\* (海航金控國際有限公司) directly owns 100% of Hong Kong HNA. HNA Group was held as to 70% by Hainan Traffic Administration Holding Co. Ltd.\* (海南交管控股有限公司), which was in turn held as to 50% by Tang Dynasty Development (Yangpu) Company Limited\* (盛唐發展(洋浦)有限公司). Tang Dynasty Development (Yangpu) Company Limited\* (盛唐發展(洋浦)有限公司) was held as to 65% by Hainan Province Cihang Foundation\* (海南省慈航公益基金會) (the "**Foundation**"). The committee members of the Foundation should be jointly nominated by the business supervising unit (業務主管單位) (being the Office of Civil Affairs of the Hainan Province (海南省民政廳)), the committee (理事會), the sponsor (發起人) and the major donor (主要捐贈人) (being Hainan Airlines Co., Ltd. Trade Community Union\* (海南航空股份有限公司工會委員會)) of the Foundation.
2. As at 30 June 2016, Hong Kong HNA, the controlling shareholder of the Company, pledged 2,084,000,000 Shares to China Construction Bank Corporation, whose beneficial owner is Central Huijin Investment Ltd.

\* *for identification purpose only*

Save as disclosed above, as at 30 June 2016, 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, exercised, cancelled or lapsed in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2016. 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	At the end of the period			
<b>Directors of the Company</b>					
Leung Shun Sang, Tony	433,981	433,981	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.396
	15,360,000	15,360,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.762
	15,793,981	15,793,981			
Leung Kai Cheung	1,843,200	1,843,200	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.762
	17,637,181	17,637,181			
<b>Employees of the Group</b>	25,088,000	25,088,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.762
<b>Other participants</b>	10,684,416	10,684,416	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.396
	46,592,000	46,592,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.762
	8,960,000	8,960,000	16.12.2009	16.12.2009 – 15.12.2019	HK\$0.582
	3,072,000	3,072,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.410
	69,308,416	69,308,416			
	112,033,597	112,033,597			

### (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 2016 interim results of the Group. A meeting of the audit committee was held with the auditor and the management of the Company on 19 August 2016 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2016.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2016, except the following deviation:

Pursuant to the code provision of E.1.3 of the CG Code, the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting. On 27 April 2016, a notice convening the annual general meeting on 17 June 2016 was announced and despatched to the shareholders of the Company. Given that a further special resolution in relation to the proposed change of company name was added for the shareholder’s consideration at the annual general meeting, a revised notice was further announced and despatched to the shareholders of the Company on 25 May 2016 for the annual general meeting on 17 June 2016. But such revised notice was given less than 20 clear business days before the annual general meeting. The Company considered that the arrangement of voting on the critical resolutions in one general meeting would facilitate its shareholders’ schedule to attend. Nevertheless, the revised notice has fulfilled the requirements for giving at least 21 days’ notice in accordance with the Companies Ordinance (Chapter 622, the laws of Hong Kong).

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had 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 2016.

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

The following are the changes in the information of Directors since the date of the 2015 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Zhao Quan, an Executive Director and Chairman of the Company, ceased to serve as the chairman of HNA Investment Group Co., Ltd.\* (海航投資集團股份有限公司) but still remain to serve as a director. He was appointed as the chairman of HNA Industrial Group Co., Ltd.\* (海航實業集團有限公司) but ceased to serve as chief executive officer and chief investment officer;
- (b) Mr. Li Tongshuang, an Executive Director and Vice-chairman of the Company, was appointed as the chairman of the board and an executive director of Tysan Holdings Limited, a listed company in Hong Kong, with effect from 29 July 2016. He was appointed as chief executive officer of HNA Industrial Group Co., Ltd.\* (海航實業集團有限公司), with effect from 17 August 2016; and
- (c) Mr. Zhang Ke, an Executive Director of the Company, ceased to serve as the vice chief investment officer of HNA Capital Holding Co., Ltd.\* (海航資本集團有限公司) with effect from 25 May 2016.

\* for identification purpose only



## 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 the management and all our staff for their hard work and dedication throughout the period.

By order of the Board  
**HNA Holding Group Co. Limited**  
**Zhao Quan**  
*Chairman*

Hong Kong, 26 August 2016