



GOOD RESOURCES

Good Resources Holdings Limited 天成國際集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00109)

INTERIM REPORT

2016/17

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (The "Board") of Directors (the "Directors") of Good Resources Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2016 (the "Period") together with the comparative figures. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 31st December,	
	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	3	73,672	70,755
Other revenue	4	10,881	4,527
Other net losses	4	(3,277)	(5,946)
Gain on disposal of subsidiaries	5	49,749	–
Administrative expenses		(33,220)	(44,929)
Finance costs	6	–	(1,234)
Share of loss of a joint venture		(2,107)	–
Profit before taxation	7	95,698	23,173
Taxation	8	(17,534)	(17,055)
Profit for the period		<u>78,164</u>	<u>6,118</u>
Other comprehensive loss that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(98,575)	(138,790)
Total comprehensive loss		<u>(20,411)</u>	<u>(132,672)</u>
Profit for the period attributable to:			
– Owners of the Company		82,594	8,942
– Non-controlling interests		(4,430)	(2,824)
		<u>78,164</u>	<u>6,118</u>
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(15,981)	(129,848)
– Non-controlling interests		(4,430)	(2,824)
		<u>(20,411)</u>	<u>(132,672)</u>
Earnings per share attributable to owners of the Company		HK Cents	HK Cents
– Basic	9	1.15	0.13
– Diluted	9	1.15	0.13

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2016 (unaudited)

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible note reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st July, 2016	720,469	1,985,773	170,789	847	49,912	(155,631)	-	(16,058)	2,756,101	62,468	2,818,569
Transactions with owners											
- Disposal of subsidiaries (Note 5)	-	-	-	-	-	-	-	-	-	(1,732)	(1,732)
- Equity settled share-based payments of a subsidiary	-	-	-	-	-	-	-	-	-	676	676
	-	-	-	-	-	-	-	-	-	(1,056)	(1,056)
Profit/(loss) for the period	-	-	-	-	-	-	-	82,594	82,594	(4,430)	78,164
Other comprehensive loss for the period	-	-	-	-	-	(98,575)	-	-	(98,575)	-	(98,575)
Total comprehensive loss for the period	-	-	-	-	-	(98,575)	-	82,594	(15,981)	(4,430)	(20,411)
Transfer to statutory reserve	-	-	-	-	5,322	-	-	(5,322)	-	-	-
At 31st December, 2016	720,469	1,985,773	170,789	847	55,234	(254,206)	-	61,214	2,740,120	56,982	2,797,102

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2015 (unaudited)

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st July, 2015	600,676	1,583,879	170,789	847	39,387	34,978	71,242	10,628	2,512,426	-	2,512,426
Transactions with owners											
- Issue of shares upon conversion of convertible notes	102,950	343,896	-	-	-	-	(61,225)	-	385,621	-	385,621
- Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	-	13,603	13,603
	102,950	343,896	-	-	-	-	(61,225)	-	385,621	13,603	399,224
Profit for the period	-	-	-	-	-	-	-	8,942	8,942	(2,824)	6,118
Other comprehensive loss for the period	-	-	-	-	-	(138,790)	-	-	(138,790)	-	(138,790)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(138,790)	-	8,942	(129,848)	(2,824)	(132,672)
Transfer to statutory reserve	-	-	-	-	641	-	-	(641)	-	-	-
At 31st December, 2015	703,626	1,927,775	170,789	847	40,028	(103,812)	10,017	18,929	2,768,199	10,779	2,778,978

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	71,545	72,770
Intangible assets		73,503	76,446
Goodwill	11	27,862	27,862
Loans receivable	12	1,074,213	59,865
Interest in a joint venture	13	25,246	–
		<u>1,272,369</u>	<u>236,943</u>
Current assets			
Loans receivable	12	557,303	1,569,138
Other receivables, deposits and prepayments		22,009	37,588
Other financial assets	14	82,153	80,034
Bank deposits with maturity over three months		–	53,682
Bank balances and cash		1,025,454	980,003
		<u>1,686,919</u>	<u>2,720,445</u>
Assets of disposal group classified as held-for-sale		–	14,388
		<u>1,686,919</u>	<u>2,734,833</u>
Total assets		<u>2,959,288</u>	<u>2,971,776</u>
Current liabilities			
Other payables, accruals and deposits received		64,214	63,227
Provision for taxation		79,615	64,742
		<u>143,829</u>	<u>127,969</u>
Liabilities of disposal group classified as held-for-sale		–	6,146
		<u>143,829</u>	<u>134,115</u>

		At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
	Notes		
Net current assets		1,543,090	2,600,718
Total assets less current liabilities		2,815,459	2,837,661
Non-current liabilities			
Deferred tax liabilities		18,357	19,092
NET ASSETS		2,797,102	2,818,569
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	720,469	720,469
Reserves		2,019,651	2,035,632
Non-controlling interests		2,740,120	2,756,101
		56,982	62,468
TOTAL EQUITY		2,797,102	2,818,569

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWSFor the six months ended
31st December,

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	14,185	(63,792)
Net cash from/(used in) investing activities	61,473	(151,570)
Net increase/(decrease) in cash and cash equivalents	75,658	(215,362)
Effect of foreign exchange rate changes	(30,207)	(4,841)
Cash and cash equivalents at beginning of the period	980,003	687,883
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>1,025,454</u>	<u>467,680</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Good Resources Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Room 3310-11, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of financial services and investment holding.

This condensed consolidated interim financial information is presented in Hong Kong dollar (“HK\$”), unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 31st December, 2016 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The Interim Financial Report has been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair values, and in accordance with accounting principles generally accepted in Hong Kong, and accounting standards issued by the HKICPA.

The accounting policies used in preparation of the Interim Financial Report are consistent with those adopted in the annual financial statements for the year ended 30th June, 2016, which have been prepared in accordance with HKFRSs.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1st July, 2015. The adoption of these new and revised HKFRS did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated financial statements and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of the new and revised HKFRS but is not yet in a position to reasonably estimate whether the new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of amounts received and receivable from third parties, less returns and allowance and is analysed as follows:

	For the six months ended	
	31st December,	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loan interest income	73,602	70,570
Dividend income from investments held for trading	70	185
	<u>73,672</u>	<u>70,755</u>

Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s directors in order to allocate resources and assess performance of the segment.

At 31st December, 2015, the Group had a single reportable segment “Investment and Financial Services” – trading of securities, investment holding and provision of financial services. In 2016, riding the One Belt, One Road initiative, the Group has been exploring for opportunities to participate in investment of fast growing companies in Europe and Asia. To strengthen the investment strategy development and portfolio management, the management changes the internal reporting structure to match its business strategy change. The financial services segment, mainly the money lending business in Hong Kong and the PRC, continues to generate interest incomes from loan financing while the investment portfolio segment has been expanding and it includes but not limited to equity investments, fund investments and acquisition of companies. As such, at 31st December, 2016, the Group had two reportable segments – “Financial Services” and “Investment Portfolio”. The segment information for the period ended 31st December, 2015 is restated to conform with the current year’s presentation accordingly.

Segment information about these reportable segments is presented below:

For the six months ended 31st December, 2016 (unaudited)

	Financial services HK\$'000	Investment portfolio HK\$'000	Consolidated HK\$'000
Turnover – external	73,602	70	73,672
Segment results	59,029	31,839	90,868
Other revenue			2,881
Other net losses			(4,357)
Other corporate expenses			(11,228)
Finance costs			–
Profit for the period			78,164

For the six months ended 31st December, 2015 (unaudited)

	Financial services HK\$'000	Investment portfolio HK\$'000	Consolidated HK\$'000
Turnover – external	70,570	185	70,755
Segment results	49,362	(1,159)	48,203
Other revenue			275
Other net losses			(4,841)
Other corporate expenses			(36,285)
Finance costs			(1,234)
Profit for the period			6,118

Geographical information

The Group determines the geographical location of non-current assets (other than financial instruments) and revenue by the location of the assets and customers/payees respectively.

The following tables present the geographical locations of the Group's revenue and non-current assets (other than financial instruments):

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue from external customers		
Hong Kong	2,014	1,217
The PRC	71,658	69,538
	73,672	70,755

Non-current assets (other than financial instruments)

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Hong Kong	886	233
The PRC	8,956	9,406
Myanmar	188,314	167,439
	198,156	177,078

Information about major customers

Revenue from the Group's major customers representing 10% or more of the Group's revenue is derived from financial services segment as listed below:

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Customer A	18,910	19,008
Customer B	14,639	16,946
Customer C	11,500	13,398
Customer D	9,676	7,380
Customer E	7,755	–
	<u>62,480</u>	<u>56,732</u>

4. OTHER REVENUE AND OTHER NET LOSSES

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other revenue		
Interest income from convertible notes	3,099	4,021
Rental and management fee income from sub-lease of office premises	1,161	71
Bank interest income	6,604	435
Others	17	–
	<u>10,881</u>	<u>4,527</u>
Other net losses		
Net changes in fair value of investments held for trading	–	(1,134)
Net realised gains on sales of investments held for trading	108	–
Net realised and unrealised gains/(losses) on investments held for trading	108	(1,134)
Net (losses)/gains on convertible notes at fair value through profit or loss	(254)	29
Net foreign exchange losses	(3,589)	(4,841)
Government subsidy	458	–
	<u>(3,277)</u>	<u>(5,946)</u>
Other revenue and other net losses	<u>7,604</u>	<u>(1,419)</u>

5. DISPOSAL OF SUBSIDIARIES

On 8th June, 2016, the Company entered into a sale and purchase agreement to dispose Metro Leader Limited (“Metro Leader”) and Prominent Wise Limited (“Prominent Wise”) to GSR Capital Limited (“GSR Capital”) at the total cash consideration of USD5,000,000 (equivalent to approximately HK\$38,770,000).

Upon the completion of disposal on 17th November, 2016, Metro Leader owned as to 10% by the Company and 90% by GSR Capital and founders and the Company ceased to hold any shares in Prominent Wise. Both Metro Leader and Prominent Wise ceased to be a subsidiary of the Company upon Completion.

The gain arising from the disposal shown in the condensed consolidated statement of comprehensive income is calculated as follows:

The financial position of disposal group as of 17th November, 2016:	HK\$'000
Other receivables	129
Bank balances and cash	10,728
Other payables	(15,798)
	<hr/>
Net liabilities disposed of	(4,941)
	<hr/> <hr/>
	HK\$'000
Consideration received	38,770
Fair value of interest retained	4,306
Non-controlling interests derecognised on disposal	1,732
Net liabilities disposed of	4,941
	<hr/>
Gain on disposal of subsidiaries	49,749
	<hr/> <hr/>
	HK\$'000
Total consideration	38,770
Deposit received on 8th June, 2016	(3,895)
Bank balances and cash disposed of	(10,728)
	<hr/>
Cash inflow arising from disposal of subsidiaries for the six months period ended 31st December, 2016	24,147
	<hr/> <hr/>

6. FINANCE COSTS

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on convertible notes	–	1,234

7. PROFIT BEFORE TAXATION

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	2,456	3,840
Staff costs (excluding directors' emoluments):		
Salaries and allowances	15,449	7,854
Share-based payments	676	850
Retirement benefits scheme contributions	135	139
Total staff costs	18,716	12,683
Depreciation of property, plant and equipment	54	506
Amortisation of intangible assets (included in administrative expenses)	2,943	879
Rent and rates	4,012	6,234
Legal and professional fees	1,514	5,440

8. TAXATION

The amount of tax recognised in the condensed consolidated statement of comprehensive income represents:

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax		
– PRC Income Tax	18,219	17,275
– Others	51	–
	<hr/>	<hr/>
Deferred tax credit	18,270 (736)	17,275 (220)
	<hr/>	<hr/>
Total tax expense	<u>17,534</u>	<u>17,055</u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. Provision for Hong Kong and overseas Profits Tax has been made at 16.5% (2015: 16.5%) and at the rate of taxation prevailing in the countries in which the Group operates respectively of the Group's estimated assessable profits for the period.

9. EARNINGS PER SHARE

The basic and diluted earnings per share attributable to the owners of the Company are calculated as follows:

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period		
Profit for the purpose of basic and diluted earnings per share	<hr/> 82,594	<hr/> 8,942
	<hr/>	<hr/>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<hr/> 7,204,694	<hr/> 7,004,788

	For the six months ended 31st December,	
	2016 (Unaudited) HK Cents	2015 (Unaudited) HK Cents
Earnings per share		
– Basic	1.15	0.13
– Diluted	1.15	0.13

The computation of diluted earnings per share for the period ended 31st December, 2015 does not assume conversion of the Company's convertible notes nor takes into account the potential dilutive shares issued by a subsidiary as they have an anti-dilutive effect on the earnings per share calculation.

The computation of diluted earnings per share for the period ended 31st December, 2016 does not make any adjustment to the basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the decrease in property, plant and equipment are mainly due to the Group capital expenditures on motor vehicle, furniture, fixtures and equipment amounting to HK\$19,736,000 (2015: HK\$14,715,000) and the transfer of fixtures and equipment to the joint venture in form of capital injection of HK\$20,821,000.

11. GOODWILL

	HK\$'000
Cost	
At 1st July, 2015	–
Acquisition of subsidiaries	27,831
Exchange adjustment	31
	<hr/>
At 30th June, 2016 and 31st December, 2016	27,862
	<hr/> <hr/>

12. LOANS RECEIVABLE

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Loans receivable	1,353,250	1,367,425
Loans receivable under sale and leaseback agreements	278,266	261,578
	<u>1,631,516</u>	<u>1,629,003</u>

The carrying amounts of the Group's loans receivable are mainly denominated in the respective functional currencies of the group entities.

The analysis of the carrying amounts of loans receivable is as follows:

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Current	557,303	1,569,138
Non-current	1,074,213	59,865
	<u>1,631,516</u>	<u>1,629,003</u>

Certain loan supplemental agreements have been entered on 30th December, 2016 and the maturity dates of relevant loans have been extended by 29-39 months (Please also refer to Note 18 for more details). As such, loans receivable of HK\$996,007,000 are classified as non-current at the end of reporting period.

The analysis of loans receivable which are neither past due nor impaired, and past due but not impaired as at the end of reporting period, based on the respective maturity dates of the loans, is as follows:

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Neither past due nor impaired	1,446,623	1,362,726
Past due but not impaired:		
– No more than 3 month past due	–	223,607
– Over 3 months but no more than 6 months past due	–	42,670
– Over 6 months but no more than 12 months past due	184,893	–
	184,893	266,277
	1,631,516	1,629,003

At the end of reporting period, loans receivable which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to two borrowers for which management have assessed the interest repayment record, financial position and performance as well as collaterals, if any, and considered the balances will be receivable in full and accordingly, no recognition of impairment loss is considered necessary.

As at 31st December, 2016, loans receivable of HK\$808,418,000 (30th June, 2016: HK\$695,276,000) were secured on certain assets (mainly property, plant and equipment and inventories) of the borrowers or their related parties. The directors considered that the estimated fair value of these collaterals was not less than the carrying amount of the respective loans receivable as at 31st December, 2016.

13. INTEREST IN A JOINT VENTURE

Myanmar Golden 11 Investment International Co. Ltd. (“Myanmar Golden 11”), a non-wholly owned subsidiary of the Group, and Golden TMH Telecom Co. Ltd (“GTMH”) have established Golden Myanmar Business Exchange Co., Ltd (“GMBX”), a private limited liability joint venture in Myanmar, on 16th August, 2016. GMBX carries out business activities relating to data centre rack hosting, cloud-based data applications and associated services in Myanmar.

The initial capital contribution of the joint venture is US\$7 million, of which Myanmar Golden 11 commits to contribute total US\$4.9 million, representing 70% of initial authorised capital, in forms of injection of property, plant and equipment and/or cash.

14. OTHER FINANCIAL ASSETS

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Unlisted convertible promissory note with fixed interest (denominated in USD) (Note (a))	77,847	78,102
Investments in equity securities listed in Hong Kong	–	1,932
Unlisted equity securities outside Hong Kong (Note (b))	4,306	–
	<u>82,153</u>	<u>80,034</u>

Note:

- (a) The convertible promissory note entitles the Group to convert the principal and accrued interest into shares of the issuer (the “Option”) at certain conversion prices depending on various circumstances upon the conditions of conversion have been fulfilled at the next equity financing date as defined in the terms and conditions of the convertible promissory note.

The Option will expire when the convertible promissory note is redeemed or three months after the next equity financing date, whichever is the later.

Changes in fair values of the unlisted convertible promissory note are recorded in “other net losses” in the condensed consolidated statement of comprehensive income (Note 4).

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities.

- (b) As disclosed in Note 5, the Company holds 10% of Metro Leader upon the completion of disposal on 17th November, 2016. It is classified as available-for-sale investments as the Group does not have the power to control or significant influence on the investee.

15. SHARE CAPITAL

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
30,000,000,000 ordinary shares	3,000,000	3,000,000
Issued and fully paid:		
7,204,694,000 (30th June, 2016: 6,006,756,000) ordinary shares at beginning of period	720,469	600,676
Conversion of convertible notes into 1,197,938,000 ordinary shares for the six months ended 30th June, 2016	–	119,793
7,204,694,000 (30th June, 2016: 7,204,694,000) ordinary shares at end of period	720,469	720,469

16. COMMITMENTS**Operating lease commitments – the Group as lessee**

At 31st December, 2016, the Group had outstanding minimum commitments under non-cancellable operating leases which fall due as follows:

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Within one year	18,783	3,051
In the second to fifth years inclusive	22,957	7,842
Over five year	44,262	4,901
	<u>86,002</u>	<u>15,794</u>

Capital commitments

Capital expenditure contracted for but not yet accounted for at the end of the reporting period in the financial statement is as follows:

	At 31st December, 2016 (Unaudited) HK\$'000	At 30th June, 2016 (Audited) HK\$'000
Property, plant and equipment	5,115	33,190
Investment in a joint venture (Note 13)	10,623	38,020
	<u>15,738</u>	<u>71,210</u>

17. KEY MANAGEMENT COMPENSATION

Key management compensation amounted to HK\$4,022,000 for the six month ended 31st December, 2016 (31st December, 2015: HK\$3,867,000).

	For the six months ended 31st December,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Salaries and allowances	4,013	3,840
Retirement benefits scheme contributions	9	27
	4,022	3,867

18. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31st December, 2016, the Group had the following significant event:

A Special General Meeting has been held on 14th February, 2017. Certain loan supplemental agreements entered into on 30th December, 2016 were duly passed by the shareholders of the Company. Please refer to the announcement dated 30th December, 2016, and the circular dated 26th January, 2017, of the Company for more details of the loan supplemental agreements for ratification of the amendments in the loan agreements.

19. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the current period's presentation.

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

The Interim Financial Report was approved and authorized for issue by the Board on 22nd February, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31st December, 2016, the turnover of the Group increased by approximately HK\$2,917,000 to approximately HK\$73,672,000 (2015: approximately HK\$70,755,000), representing an increase of approximately 4.12% from the corresponding period of last year. Increase in turnover was primarily caused by increase in turnover related to business activities in financial services receiving interest income of approximately HK\$73,602,000 (2015: HK\$70,570,000).

The Group recorded a net profit of approximately HK\$78,164,000 for the Period under review compared to a profit of approximately HK\$6,118,000 of the corresponding period of last year. The increase in net profit was mainly due to the combined impact of:

- (i) Profit impact due to increase in interest income for the Period by approximately HK\$3,032,000 to approximately HK\$73,602,000 (2015: HK\$70,570,000) as loans receivable increased during the Period;
- (ii) Profit impact for increase in other revenue by approximately HK\$6,354,000 to HK\$10,881,000 (2015: HK\$4,527,000) mainly due to the recognition of bank interest income of HK\$6,604,000 (2015: HK\$435,000);
- (iii) Decrease in other net losses by approximately HK\$2,669,000 to HK\$3,277,000 (2015: HK\$5,946,000) mainly due to the decrease in net losses on investments held for trading of HK\$1,242,000 to net gain of HK\$108,000 (2015: HK\$1,134,000) and net foreign exchange losses of HK\$1,252,000 to HK\$3,589,000 (2015: HK\$4,841,000);
- (iv) Profit impact for recognition of gain on disposal of ordinary shares of Metro Leader Limited and Prominent Wise Limited held by the Company of HK\$49,749,000 (2015: nil);
- (v) The general and administrative expenses for the Period of approximately HK\$33,220,000 representing 26.06% or HK\$11,709,000 decrease as compared with same period of last year of approximately HK\$44,929,000. The decrease in general and administrative expense was mainly due to the decrease in rental expense of HK\$2,222,000 to HK\$4,012,000 (2015: HK\$6,234,000), legal and professional fees of HK\$3,926,000 to HK\$1,514,000 (2015: HK\$5,440,000) and consultancy expense of HK\$1,889,000 to HK\$1,265,000 (2015: HK\$3,154,000);

- (vi) The recognition of share of loss of a joint venture of HK\$2,107,000 is mainly due to the loss of Golden Myanmar Business Exchange Co., Ltd (“GMBX”) (2015: nil); and
- (vii) Increase in total tax expenses by approximately HK\$479,000 to approximately HK\$17,534,000 (2015: HK\$17,055,000) mainly because more corporate income tax charged for the loan financing profit generated in PRC.

Overall there was an increase in net profit of approximately HK\$72,046,000 to profit of HK\$78,164,000 (2015: profit of approximately HK\$6,118,000) for the Group for the Period.

BUSINESS REVIEW

The Group’s financial services segment focusing on loan financing activities continued to bring interest income and has contributed to the Group’s turnover and gross profit for the Period under review. The Group has a Money Lenders Licence and can offer loan financing allowed by the Money Lenders Ordinance of Hong Kong. The Group is also capable of operating financial leasing business and commercial factoring business and develop and expand its loan financing activities in PRC through its subsidiary located at the Shanghai Pilot Free Trade Zone. Loan financing had been the core drive for the Group’s turnover and our main business during the Period.

The Group’s investment portfolio segment comprised (i) sub-group of Golden 11 Investment International PTE Ltd. (“Golden 11”) which has been building up its business infrastructure for provision of data services at Myanmar; and (ii) listed securities and financial instrument investments. The sub-group of Golden 11 has further its effort to secure corporate contracts for bringing income to the Group in the short to medium term. The sub-group of Golden 11 has not generated income yet but construction of facilities to provide data services have been in good progress. With new president and changing international policies of the new cabinet in USA and BREXIT bringing more uncertainty to the investment sentiment around the world, the Group’s did not trade any of its listed securities investments on hand during the Period. The Group held investment in convertible note issued by Airspan Network Inc. (“Airspan”) with fair value of approximately HK\$78 million at end of the Period. The investment provides the Group with constant interest income and also possible capital gain from the fair value change of the investment. The Group continued to stay put with its strategy to maintain its investment portfolios and diversified its investment portfolios with shareholders’ capital return and volatility risks both considered in the Group’s holdings of investment portfolios.

PROSPECTS

The Group continues to endeavour to be “the trusted financial investment management company in the Hong Kong capital market guided by the vision to become an efficient investment platform with an influence on the world’s financial industry,” and will not only assist Chinese capital markets in forging links with global capital markets, but also steadily improving its business and financial performance.

As the opening up of Myanmar’s economy continues our projects involving laying fiber optic broadband internet networks and the rollout of telecommunications data services in Myanmar should in turn generate market demand and opportunities for our investment made in Myanmar network facilities. As the “Going out” strategy by Chinese companies progresses and further its momentum, the Group will continue to explore possible investment in global emerging industries.

Our focus will be on the leading large-scale enterprises with the core patented technology and industry influence as investment targets and actively looking for investment opportunities and continually improving the strategic layout of the portfolio in the clean energy, internet banking, biopharmaceutical, financial investment, bulk commodities, cultural industries and other major sectors.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains its strong financial position with cash and cash equivalents of approximately HK\$1,025,454,000 (30th June, 2016: HK\$980,003,000).

As at 31st December, 2016 the Group had a net current assets of approximately HK\$1,543,090,000 (30th June, 2016: HK\$2,600,718,000). The shareholders’ equity was approximately HK\$2,797,102,000 (30th June, 2016: HK\$2,818,569,000) and there was no borrowing and gearing ratio was zero (30th June, 2016: zero).

CONTINGENT LIABILITIES

As at 31st December, 2016, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2016 (2015: nil).

CAPITAL STRUCTURE

The capital of the Company only comprises ordinary shares. During the period ended 31st December, 2016, there has been no change in the capital structure of the Group.

ADVANCES TO ENTITIES AND CONNECTED TRANSACTIONS

All definition of the Agreement(s) under this heading follow the same definitions as in the "Corporate Governance Report".

Pursuant to Rule 13.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a general disclosure obligation arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. Pursuant to Rule 13.13 of the Listing Rules, details of advances as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 31st December, 2016 were as follow:

The Shanghai Wealth Agreements

On 16th July, 2015, Shanghai Yongsheng entered into the First Shanghai Wealth Agreement with Shanghai Wealth, pursuant to which Shanghai Yongsheng agreed to advance a loan to Shanghai Wealth in the sum of RMB24,000,000 for a term of 12 months.

On 17th September, 2015, Shanghai Yongsheng entered into the Second Shanghai Wealth Agreement with Shanghai Wealth, pursuant to which Shanghai Yongsheng agreed to advance a loan to Shanghai Wealth in the sum of RMB250,000,000 for a term of 12 months.

On 30th December, 2016, Shanghai Yongsheng entered into the First Shanghai Wealth Supplemental Agreement and Second Shanghai Wealth Supplemental Agreement with Shanghai Wealth, pursuant to which the parties agreed to amend the First Shanghai Wealth Agreement and Second Shanghai Wealth Agreement as follows:

The First Shanghai Wealth Supplemental Agreement

Date: 30th December, 2016

Parties: Shanghai Yongsheng, as the lender

Shanghai Wealth, as the borrower

To the Directors' knowledge, information and belief and having made all reasonable enquiry, Shanghai Wealth and its ultimate beneficial owners are not connected persons of the Company.

Principal amount: RMB24,000,000

Term: The repayment date is extended by 39 months to 16th October 2019.

Interest: 8% per annum, payable on a quarterly basis

Security: The First Shanghai Wealth Loan is secured by certain real estate properties owned by Shanghai Wealth (the "Shanghai Wealth Properties")

The Second Shanghai Wealth Supplemental Agreement

Date:	30th December 2016
Parties:	Shanghai Yongsheng, as the lender Shanghai Wealth, as the borrower
Principal amount:	RMB250,000,000
Term:	The repayment date is extended by 39 months to 16th December, 2019
Interest:	8% per annum, payable on a quarterly basis
Security:	The Second Shanghai Wealth Loan is secured by the Shanghai Wealth Properties

As at 31st December, 2016, the principal and the accrued interest of the First Shanghai Wealth Loan and the Second Shanghai Wealth Loan which remains outstanding is RMB27,519,000 and RMB282,278,000, respectively.

The Shanghai Renhe Investment Agreement

On 6th September, 2015, Shanghai Yongsheng entered into the Shanghai Renhe Investment Agreement with Shanghai Renhe Investment, pursuant to which Shanghai Yongsheng agreed to advance a loan to Shanghai Renhe Investment in the sum of RMB350,000,000 for a term of 12 months.

On 30th December, 2016, Shanghai Yongsheng entered into the Shanghai Renhe Investment Supplemental Agreement with Shanghai Renhe Investment, pursuant to which the parties agreed to amend the Shanghai Renhe Investment Agreement as follows:

The Shanghai Renhe Investment Supplemental Agreement

Date: 30th December, 2016

Parties: Shanghai Yongsheng, as the lender

Shanghai Renhe Investment, as the borrower

To the Directors' knowledge, information and belief and having made all reasonable enquiry, Shanghai Renhe Investment and its ultimate beneficial owners are not connected persons of the Company.

Principal amount: RMB350,000,000

Term: The repayment date is extended by 39 months to 6th December, 2019

Interest: 8% per annum, payable on a quarterly basis

Security: The Shanghai Renhe Investment Loan is unsecured

In addition, 上海錢江文化科技(集團)有限公司 (Shanghai Qian Jiang Cultural and Technology (Group) Limited*), a company held as to 10% by Shanghai Renhe Investment and 90% by an indirect holding company of Shanghai Renhe Investment agreed to provide a guarantee in respect of the Shanghai Renhe Investment Loan.

As at 31st December, 2016, the principal and the accrued interest of the Shanghai Renhe Investment Loan which remains outstanding is RMB396,161,000.

The Zhenjiang Rongde Agreement

On 1st June, 2015, Shanghai Yongsheng entered into the Zhenjiang Rongde Agreement with Zhenjiang Rongde, pursuant to which Shanghai Yongsheng agreed to advance a loan to Zhenjiang Rongde in the sum of RMB800,000,000 for an initial term of 24 months under a finance lease arrangement of certain assets owned by Zhenjiang Rongde.

The Zhenjiang Rongde Agreement

Date: 1st June, 2015

Parties: Shanghai Yongsheng, as the lender

Zhenjiang Rongde, as the borrower

To the Directors' knowledge, information and belief and having made all reasonable enquiry, Zhenjiang Rongde and its ultimate beneficial owners are not connected persons of the Company.

**Amount of the
Zhenjiang
Rongde Loan:** RMB800,000,000

Term: 24 months, effective from 1st July, 2015

Interest: 10% per annum, payable on an annual basis

Security: The Zhenjiang Rongde Loan is secured by the Zhenjiang Rongde machinery and equipment.

As at 31st December, 2016, the principal and the accrued interest of the Zhenjiang Rongde Loan which remains outstanding is RMB216,694,000.

The Shanghai Shihao Agreement

On 10th September, 2015, Shanghai Yongsheng entered into the Shanghai Shihao Agreement with Shanghai Shihao, pursuant to which Shanghai Yongsheng agreed to advance a loan to Shanghai Shihao in the sum of RMB220,000,000 for a term of 12 months.

On 30th December, 2016, Shanghai Yongsheng entered into the Shanghai Shihao Supplemental Agreements with Shanghai Shihao, pursuant to which the parties agreed to amend the Shanghai Shihao Agreement as follows:

The Shanghai Shihao Supplemental Agreement

Date: 30th December, 2016

Parties: Shanghai Yongsheng, as the lender

Shanghai Shihao, as the borrower

To the Directors' knowledge, information and belief and having made all reasonable enquiry, Shanghai Shihao and its ultimate beneficial owners are not connected persons of the Company.

Principal amount: RMB220,000,000

Term: The repayment date is extended by 29 months to 23rd August, 2018

Interest: 10% per annum, payable upon the end of the term

In addition, 鎮江榮德新能源科技有限公司 (Zhenjiang Rongde New Energy Science Technology Co., Ltd.*), a wholly-owned subsidiary of Shanghai Shihao, agreed to (i) provide a guarantee in respect of the Shanghai Shihao Loan; and (ii) charge certain machinery for the production of photovoltaic solar cells and modules as new security for the previously unsecured Shanghai Shihao Loan.

As at 31st December, 2016, the principal and the accrued interest of the Shanghai Shihao Loan which remains outstanding is RMB240,451,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Other than the completion of disposal of Metro Leader Limited and Prominent Wise Limited as disclosed in the Company's announcements on 8th June, 2016 and 17th November, 2016, the Group did not make any material acquisition and disposal of subsidiaries and affiliated companies for the six months ended 31st December, 2016.

CONVERTIBLE NOTE EXTENSION

Reference is made to the announcement of the Company dated 21st August, 2016 and the circular of the Company dated 12th September, 2016 in relation to, among other things, Convertible Note Extension Agreement, pursuant to approval from the shareholders of the Company in the special general meeting held on 28th September, 2016 the convertible note with principal amount of US\$10 million issued by Airspan to the Company was extended to the maturity date of 30th June, 2017.

CHARGE ON ASSETS

As at 31st December, 2016, the Group did not have any charge on its assets (30th June, 2016: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Up to current moment, other than the formation of joint venture to invest into Golden Myanmar Business Exchange Co., Ltd as detailed in Note 13 to the financial statements and capital commitments as disclosed in Note 16 to the financial statements, the Group does not have any other plan for material investments or capital assets.

SUBSEQUENT EVENT

Please refer to Note 18 to the financial statements for event after the reporting period.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the period under review, the Group's transactions were substantially denominated in either Hong Kong dollars, US dollars or RMB Yuan. The Group did not use any financial instruments for hedging purposes (30th June, 2016: Nil).

DISCLOSURE OF INTERESTS

(i) Directors

At 31st December, 2016 the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share held of the Company	Nature of Shares interested
Chau On Ta Yuen	Beneficial owner	2,500,000	0.03%	Long position
Chen Chuan Jin	Beneficial owner	10,000,000	0.13%	Long positing
Kwan Shan	Beneficial owner	620,000	0.01%	Long positing
Lo Wan Sing, Vincent	Beneficial owner	9,500,000	0.13%	Long positing
Lu Sheng	Interest of controlled corporation (Note 1)	600,000,000	8.32%	Long positing

Note:

1. Power Fine Global Investment Limited is wholly owned by Mr. Lu Sheng, an executive Director. Mr. Lu Sheng is deemed to be interested in the 600,000,000 Shares held by Power Fine Global Investment Limited for the purposes of the SFO.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholder

At 31st December, 2016, so far as is known to the Directors, shareholders (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary share capital	Approximate percentage of the issued shares held of the Company
Tiancheng International Holdings Investment Limited (Note 1)	Beneficial owner	2,341,100,000	32.49%
Golden Prince Group Limited (Note 2)	Beneficial owner	600,000,000	8.33%
Rich Capital Global Enterprises Limited (Note 2)	Beneficial owner	406,741,882	5.65%
Zhang Yi (Note 3)	Beneficial owner and interest of controlled corporation	812,520,000	11.28%
Promising Sun Limited (Note 3)	Beneficial owner	500,000,000	6.94%
Power Fine Global Investment Limited (Note 4)	Beneficial owner	600,000,000	8.33%
Chu Yuet Wah	Person Having a security interest	1,310,146,190	18.18%

Note:

1. The entire issued capital of Tiancheng International Holdings Investment Limited is directly wholly owned by Mr. Cheng Kin Ming.
2. The entire issued capital of Golden Prince Group Limited and Rich Capital Global Enterprises Limited is both directly wholly owned by Mr. Ng Leung Ho.
3. Mr. Zhang Yi has personal holding of 312,520,000 shares of the Company and has indirect interest of 44% in Promising Sun Limited which held 500,000,000 shares of the Company.
4. The entire issued capital of Power Fine Global Investment Limited is owned by Mr. Lu Sheng.

Save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 31st December, 2016.

None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st December, 2016, the Group employed approximately 42 employees. The Remuneration Committee and the Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 29th January, 2008, the Company adopted the share option scheme.

During the period ended 31st December, 2016, all share options were exercised and no share options were outstanding as at 31st December, 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2016.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises one Non-Executive Director and two Independent Non-Executive Directors of the Company. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the unaudited financial statements of the Group for the period.

CORPORATE GOVERNANCE

In the opinion of the Directors, other than the deviation from Rules 3.10 and 3.25 of the Listing Rules and Code A.5.1 which were rectified on 14th July, 2016 upon the appointment of Mr. Zhang Ning to our board and our Remuneration and Nomination Committee as detailed in page 22 of the 2016 Annual Report, the Company has complied throughout the six months ended 31st December, 2016 with the Code on Corporate Governance Practices (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules during the six months ended 31st December, 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the “Model Code”) during the period under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31st December, 2016.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

List of all Directors of the Company as of the date of this report:

Executive Directors

Mr. Lu Sheng (*Chairman*)
Mr. Chen Chuanjin

Non-Executive Directors

Mr. Lo Wan Sing, Vincent

Independent Non-executive Directors

Mr. Chau On Ta Yuen
Mr. Zhang Ning
Ms. Kwan Shan

On behalf of the Board

Mr. Lu Sheng
Chairman

Hong Kong, 22nd February, 2017

* *For identification purposes only*