Tech Pro Technology Development Limited
德 普 科 技 發 展 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock code : 03823

2017
INTERIM REPORT

商界展關懷
caringcompany 2014-17
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香港社會服務聯會頒發

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LEDUS


德普科技
TECHPRO

Contents

Corporate information

Directors

Executive directors
Mr. Li Wing Sang *(Chairman of the board)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong
Mr. Lee Tsz Hang

Independent non-executive directors
Mr. Ong King Keung
Mr. Zhou Jing
Ms. Wong Chi Yan

Audit committee

Mr. Ong King Keung *(Chairman of the committee)*
Mr. Zhou Jing
Ms. Wong Chi Yan

Remuneration committee

Mr. Ong King Keung *(Chairman of the committee)*
Mr. Zhou Jing
Ms. Wong Chi Yan

Nomination committee

Mr. Li Wing Sang *(Chairman of the committee)*
Mr. Ong King Keung
Ms. Wong Chi Yan

Authorised representatives

Mr. Liu Xinsheng
Ms. Lee On Wing

Company secretary

Ms. Lee On Wing

Auditor

BDO Limited

Principal bankers

The Hong Kong and Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal share registrar and transfer office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

Registered office

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

Principal place of business

Unit 1402, 14/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Company website

http://www.techprotd.com

Stock code

03823

Management discussion and analysis

For the six months ended 30 June 2017, Tech Pro Technology Development Limited (the "Company", together with its subsidiaries as the "Group") has experienced a challenging period. The Group's principal activities engaged are (i) the manufacture and sale of LED lighting products and accessories; (ii) the provision of energy efficiency projects; (iii) the promotion and development of a professional football club; and (iv) the provision of property leasing and sub-leasing services.

The turnover of the Group decreased to approximately RMB103.6 million for the six months ended 30 June 2017. The decrease in turnover was mainly attributable to (i) a decrease in turnover in LED lighting segment; and (ii) a decrease in incomes generated from the professional football club segment.

Sponsor the "UNICEF Charity Run 2016" organised by UNICEF, Hong Kong.

Business Review and Outlook

LED lighting

Business Review

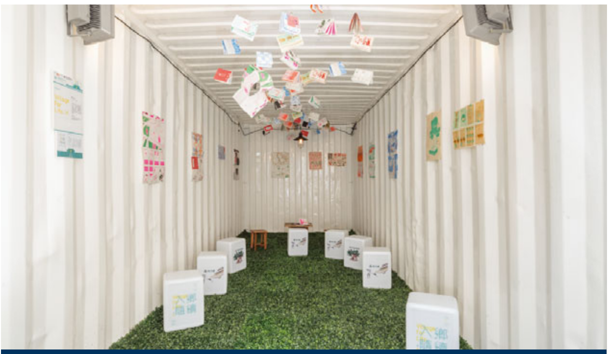
The competition in LED lighting business was still keen and the global economy situation was still unfavourable, the performance of the LED lighting segment was inevitably affected for the six months ended 30 June 2017. Since the Group has used its best endeavour in the past few years to develop the LED lighting business, the turnover of the LED lighting segment remained stable as compared with the same period in 2016.

In the sales of LED lighting finished products, despite the LED lighting manufacturers are willing to lower their selling prices to capture market share, the Group still had a stable income in LED lighting finished products. It was due to the efforts we have made in the previous years, we have built up certain sales channels of LED lighting finished products in Europe. For the sales of LED lighting accessories and components, as the LED lighting finished products' manufacturers in the People's Republic of China (the "PRC") were reducing their production scale so that the demand on the LED lighting accessories and components were also reduced. For the provision of energy efficiency services, the Group is still collaborating with some region governments for the new projects. As those projects should run the tender processes so that they are expected to need more time before we can obtain a new project. The Group currently operates energy efficiency projects in four cities in Spain. These four projects generated stable income to the Group.

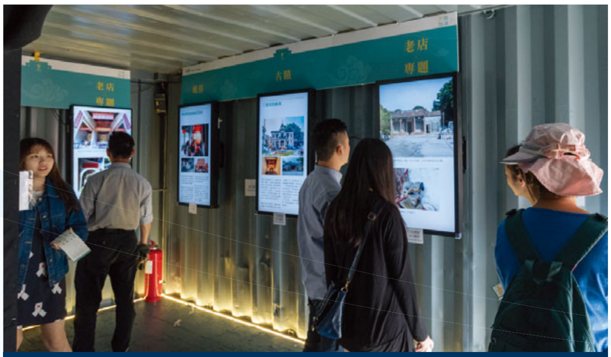
Business Outlook

LED lighting segment is still the major focus of the Group and there are still challenges ahead. Facing keen competition in the LED lighting markets, the global political uncertainty, slow economic growth in global market, the Group expects the growth of the Group's LED lighting business will be slowed down. The Group will keep on exploring new markets and customers in order to broaden the customer base and the source of income of the Group. In addition, the Group will take all applicable measures to lower its cost of production to enhance its competitiveness. The Group will also review the efficiency and effectiveness, in respect of its cost and productivity, of the existing manufacturing factories. The Group may consider to streamline the existing production flow in order to improve the competitiveness of the Group. The Group will also continue to put resources into product and technology development.

Sponsor the Hong Kong Jockey Club Heritage x Arts x Design Walk Project 2017 (Yuen Long & Tuen Mun) organised by Hulu Culture, Hong Kong.



Sponsor the Hong Kong Jockey Club Heritage x Arts x Design Walk Project 2017 (Yuen Long & Tuen Mun) organised by Hulu Culture, Hong Kong.



Sponsor the Hong Kong Jockey Club Heritage x Arts x Design Walk Project 2017 (Yuen Long & Tuen Mun) organised by Hulu Culture, Hong Kong.

Professional Football Club

Business Review

The Group owns a French Ligue 2 football club, Football Club Sochaux-Montbéliard SA ("FCSM"). FCSM experienced a disappointing second half of 2016/2017 season. FCSM took the plaudits and ranked at the upper portion in the Ligue 2 table in the first half of the season 2016/2017. But after the winter break in December 2016, the performance of the team could not be kept as good as they played before the break. Finally, FCSM finished the 2016/2017 season at position of 13th. The management had evaluated and reviewed the performance of the whole team and finally determined not to extend the contract with the head coach. Some of the players also left the football club due to the expiry of their contracts or performance not meeting the requirement of the football club. For the new season of 2017/2018, FCSM has recruited a new coach who possesses experience as a coach in different countries such as France, Germany and Switzerland. Some new high caliber players have also been recruited to strengthen the team. Some potential young players, as usual, are promoted from our football academy to first team and become a member of the squad. FCSM is currently in the position of 4th, four points behind the top team on the Ligue 2 table.

One of the reasons of buying FCSM in 2015 is due to its football academy, which is one of the best football academies in France. For the past years, there were many potential young players trained and promoted to be national U17, U19 team of France. In January 2017, one of our national U19 players was transferred to FC Stuttgart, a Bundesliga team in Germany of approximately EUR2.5 million (equivalent to approximately RMB18.6 million) transfer fee. The Group believed that the sale of players would be a source of income to the football club and will keep on putting resources into the football academy in order to train more potential young players. Taking into account of the conditional transfer bonus, such transfer has contributed in aggregate of approximately EUR3.0 million (equivalent to approximately RMB22.5 million) of other revenue to the Group for the six months ended 30 June 2017.

Business Outlook

Promotion to Ligue 1 is always the ultimate mission of the Group to FCSM. In order to have a better result for the 2017/2018 season, FCSM has started its scouting and recruitment in the early summer. It has successfully recruited some experienced and good quality players to replace those performed below expectation in the last season. The Group also recruited a new team of coach and hope to bring some changes and positive impacts to the football club. Further, FCSM has promoted some potential young players from the football club's youth academy to the first team squad. Some potential young players are offered an extension of contracts in order to secure these valuable players to stay in FCSM for the coming years.

Youth academy of FCSM is one of the famous and historical football academies in France. In the past, it trained various outstanding players to FCSM and France national teams. There are always players in France national youth teams from our football club. In order to promote the youth academy and FCSM, the Group will keep on putting resources in the youth academy and scouting potential young players in France.

Football players of FCSM.

Support FCSM in the home stadium by our Chairman.

Property Leasing and Sub-leasing Services

Business Review

The Group has successfully completed acquiring 100% equity interest in Affluent State Holdings Limited ("Affluent State") on 28 February 2017. Affluent State indirect wholly owned a subsidiary, which is principally engaged in the property investment in the PRC and owns a property in Guangzhou ("Guangzhou Property"), PRC. The Guangzhou Property is with a total gross floor area of approximately 2,580 sq.m. and is situated in 富力盈信大廈 (R&F YingXin Building[#]), a commercial building located in 珠江新城 (Zhujiang New Town[#]), a prime location in Guangzhou, PRC. The Guangzhou Property is currently leased to a tenant, who operates a 美食城 (Food City[#]) comprising various restaurants. It is the second property investment of the Group other than the sub-leasing property in Shanghai, PRC.

The directors of the Company believes that this acquisition represents a viable business opportunity to step forward in strengthening and to further expand the Group's property leasing and sub-leasing business in the PRC. Taking into account the rental income to be derived from the leasing of the Guangzhou Property, the directors of the Company are also of the view that this acquisition represents a good opportunity for the Group to enrich its existing business so as to broaden its sources of income, aiming at maximising profit and return for the Group and its shareholders. In addition, the Group owns the legal titles of the Guangzhou Property which will further enhance the assets base of the Group. As the Group considers the future prospect of the property market in the PRC is positive, it may also have the opportunity to benefit from the appreciation of property value in the long term.

[#] The English transliteration of the Chinese name is included for information purpose only.

Business Outlook

The Group expects that the property market in the PRC remains favourable. As the location of the premises that the Group operates the leasing and sub-leasing business are at the prime area in Shanghai and Guangzhou, PRC, the vacancy rate is relatively low and thus, the rental income is stable. It has less sensitive to the volatility in the PRC economic situation.

Taking into account the challenges ahead, the Group remains cautiously optimistic about the prospects of the LED lighting business given the competitive edge of our owned brand name, "LEDUS". Nevertheless, the directors of the Company continues to adopt a prudent and cautious approach in managing the Group for its sustainable development. Besides, the Group will continue to explore other business opportunities to support our core focuses and at the same time, to pursue diversification with the aim of optimising the value for the Company and the shareholders as a whole.

Appearance of premise in Guangzhou, PRC.

Financial Review

Turnover

For the six months ended 30 June 2017, the Group recorded a turnover of approximately RMB103.6 million (six months ended 30 June 2016: approximately RMB109.7 million), representing a decrease of approximately 5.5%.

The categories of the Group's turnover are shown in the following table:

	Six months ended 30 June			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Sale of products and accessories	**51,079**	**49.3**	54,021	49.3
Service income from energy efficiency projects	**10,069**	**9.7**	9,981	9.1
Broadcasting income	**20,979**	**20.2**	24,471	22.3
Matchday ticket income	**6,486**	**6.3**	8,343	7.6
Sponsorship and advertising income	**11,695**	**11.3**	12,840	11.7
Rental income	**3,321**	**3.2**	–	–
Total turnover	**103,629**	**100.0**	109,656	100.0

The turnover of the Group was decreased as compared with 2016. The decrease in Group's turnover was primarily attributed to the decrease in turnover contributed from LED lighting segment and professional football club segment; but it was compensated by the increase in turnover from provision of property leasing and sub-leasing services segment which was contributed by the newly acquired wholly-owned subsidiary in February 2017.

The turnover from the LED lighting segment represented approximately 58.2% of total turnover of the Group for the six months ended 30 June 2017, while it represented approximately 56.2% of total turnover of the Group for the six months ended 30 June 2016. However, in term of monetary value, the turnover from LED lighting segment decreased by approximately 2.1% from approximately RMB61.6 million for the six months ended 30 June 2016 to approximately RMB60.3 million in for the six months ended 30 June 2017. Under the LED lighting segment, the turnover from the sale of LED lighting products and accessories was decreased by approximately 2.7%, which amounted from approximately RMB51.6 million for the six months ended 30 June 2016 to approximately RMB50.2 million for the six months ended 30 June 2017. It was mainly attributed to (i) the keen completion among the LED lighting manufactures; and (ii) the unfavorable environment in the PRC and European markets. However, the service income from energy efficiency projects was increased slightly by approximately 1.0%, which amounted from approximately RMB10.0 million for the six months ended 30 June 2016 to approximately RMB10.1 million for the six months ended 30 June 2017, it was due to the stable service income of four energy efficiency projects generated in Spain.

The turnover from the professional football club segment represented approximately 38.6% of total turnover of the Group for the six months ended 30 June 2017, while it represented approximately 43.8% of total turnover of the Group for the six months ended 30 June 2016. The sale of products, broadcasting income, matchday ticket income, sponsorship and advertising income were decreased by approximately 16.8%, which amounted from approximately RMB48.1 million for the six months ended 30 June 2016 to approximately RMB40.0 million for the six months ended 30 June 2017. The decrease in turnover is mainly due to the facts that (i) there was no relegation subsidy income from the season 2016/17; and (ii) the football club remained its ranking at midstream in the second half of the season 2016/17, which could not attract spectators and thus, the broadcasting income and matchday tickets income were decreased accordingly.

The turnover from the property leasing and sub-leasing services segment represented approximately 3.2% of total turnover of the Group for the six months ended 30 June 2017. The rental income represented the turnover contributed from the newly acquired wholly-owned subsidiary in February 2017.

Gross profit margin

The gross profit margin (excluding the services and rental income) of the Group was approximately 5.5% (six months ended 30 June 2016: approximately 13.9%) for the six months ended 30 June 2017. The significant decrease in gross profit margin was mainly attributed to (i) the write-down of inventories of approximately RMB3.4 million (six months ended 30 June 2016: RMBNil) for the six months ended 30 June 2017; and (ii) the increase in cost of production such as material costs and labour costs and utilities costs for the six months ended 30 June 2017, while the costs increased cannot be shifted to customers.

Results for the year

The consolidated loss before income tax of the Group for the six months ended 30 June 2017 was approximately RMB59.3 million (six months ended 30 June 2016: approximately RMB90.2 million), represents a decrease of approximately 34.3%. The decrease in consolidated loss before income tax was primarily attributable to the following factors:

(i) increase in other revenue and income of approximately RMB24.1 million from approximately RMB8.6 million for the six months ended 30 June 2016 to approximately RMB32.7 million for the six months ended 30 June 2017;

(ii) decrease in impairment loss on other intangible assets of approximately RMB19.2 million from approximately RMB19.2 million for the six months ended 30 June 2016 to RMBNil for the six months ended 30 June 2017; and

(iii) decrease in amortisation of other intangible assets of approximately RMB26.2 million from approximately RMB29.2 million for the six months ended 30 June 2016 to approximately RMB3.0 million for the six months ended 30 June 2017.

However, these factors which led to decrease in consolidated loss before income tax were nullified by the following factors:

(iv) increase in administrative and other operating expenses of approximately RMB11.5 million from approximately RMB116.8 million for the six months ended 30 June 2016 to approximately RMB128.3 million for the six months ended 30 June 2017;

(v) increase in finance costs of approximately RMB2.7 million from approximately RMB22,000 for the six months ended 30 June 2016 to approximately RMB2.7 million for the six months ended 30 June 2017;

(vi) decrease in fair value change on contingent considerable receivables of approximately RMB7.7 million from approximately RMB8.6 million for the six months ended 30 June 2016 to approximately RMB0.9 million for the six months ended 30 June 2017; and

(vii) decrease in share of results of a joint venture of approximately RMB10.3 million from the share of gain of approximately RMB8.1 million for the six months ended 30 June 2016 to the share of loss of approximately RMB2.2 million for the six months ended 30 June 2017.

All of the above factors from (ii) to (iii) and (vi) to (vii) are non-cash and/or non-recurring items.

Administrative and other operating expenses

For the six months ended 30 June 2017, administrative and other operating expenses were approximately RMB128.3 million (six months ended 30 June 2016: approximately RMB116.8 million), which represents an increase of approximately 9.8%. There was an increase in (i) share based payments of approximately RMB27.9 million to certain consultants and employees by granting the share options under the Company's share option scheme for the six months ended 30 June 2017; and (ii) acquisition costs for acquiring a wholly-owned subsidiary in February 2017 of approximately RMB10.2 million for the six months ended 30 June 2017. The Group did not incur these expenses for the six months ended 30 June 2016. However, there were a decrease in (i) administrative and other operating expenses by professional football club segment of approximately RMB16.7 million from approximately RMB80.8 million for the six months ended 30 June 2016 to approximately RMB64.1 million for the six months ended 30 June 2017, which was mainly due to the decrease in staff costs of approximately RMB12.2 million from approximately RMB51.1 million for the six months ended 30 June 2016 to approximately RMB38.9 million for the six months ended 30 June 2017; and (ii) allowance for impairment on trade and other receivables, net and bad debt written off, net of approximately RMB6.9 million from approximately RMB8.5 million for the six months ended 30 June 2016 to approximately RMB1.6 million for the six months ended 30 June 2017.

Finance costs

For the six months ended 30 June 2017, finance costs of the Group were approximately RMB2.7 million (six months ended 30 June 2016: approximately RMB22,000), which represents an increase of approximately 12,172.7%. This was mainly due to the bank loans interest expenses incurred by the newly acquired subsidiaries in February 2017.

Share of results and amount due from a joint venture

For the six months ended 30 June 2017, share of loss of a joint venture of the Group was approximately RMB2.2 million (six months ended 30 June 2016: share of gain of approximately RMB8.1 million), which represents a decrease of approximately 127.2%. This was mainly due to certain tenants of the LED signage on exterior wall relocated their advertisements to another advance media. The Group is taking proactive measures to solicite the leasees and expected to crystallise in the second half of 2017.

At 30 June 2017, there was an amount due from a joint venture of approximately RMB118.8 million (31 December 2016: approximately RMB118.8 million) included in other current financial assets which represented the dividend declared and payable by the joint venture in Shanghai, PRC to the Group. As there are sufficient distributable reserves of the joint venture accumulated since the Group being the equity holder in 2014, both joint venture partner and the Company would like to realise the investment returns which should be in the interest of the Group. Such dividend payments will be made as long as it will not affect the daily operations of the joint venture as there may be potential expenses on repair and maintenance by the joint venture, it is expected the payment will take more than a year from 31 December 2016. The expected dividend repayment from joint venture is to be made in the second quarter of 2018.

Since the withholding of the payment of the dividends by the joint venture to the Group constituted the provision of financial assistance by the Company to the joint venture under the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company in order to prevent the occurrence of similar inadvertent deviation from the Listing Rules in future, the Company has taken certain remedial actions.

The Company (i) has provided a details guideline relating to notifiable and connected transactions under the Listing Rules for all the directors of the Company as well as its management team in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at early stage; (ii) has circulated a reporting guideline such that each member of the Group shall report those transactions which may constitute potential notifiable or connected transactions to the head office in Hong Kong for approval prior to the entering into of those transactions; and (iii) has provided relevant training to the directors of the Company and its management team to reinforce their understanding of and importance of compliance with the Listing Rules.

At 30 June 2017, the amount due to a joint venture from a joint venture partner has been repaid in accordance with the repayment schedule, and the amount due to a joint venture by the joint venture partner amounted to approximately RMB99.5 million (31 December 2016: approximately RMB100.9 million).

Geographical information

The principal source of turnover of the Group was derived from sale of LED lighting products and accessories in the PRC and accounted for approximately 36.3% (six months ended 30 June 2016: approximately 49.3%) of the Group's total turnover for the six months ended 30 June 2017.

Liquidity and financial resources

As at 30 June 2017, the Group had current assets of approximately RMB568.4 million (31 December 2016: approximately RMB414.2 million) and current liabilities of approximately RMB169.4 million (31 December 2016: approximately RMB137.8 million). The current ratio of the Group as at 30 June 2017 was approximately 3.4 (31 December 2016: approximately 3.0) where an increase in current ratio was recorded. The increase is mainly due to the reclassification of amount due from a joint venture from non-current asset to current asset at 30 June 2017.

As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB141.5 million (31 December 2016: approximately RMB98.7 million), wholly representing cash at banks and in hand. At 30 June 2017, total bank loans were approximately RMB172.8 million (31 December 2016: RMBNil) and were denominated in Renminbi, in which were short-term and long-term borrowings and were subject to fixed interest rate. As at 30 June 2017, the Group's obligations under finance leases were approximately RMB0.5 million (31 December 2016: approximately RMB0.8 million).

As at 30 June 2017, the gearing ratio (calculated by dividing total borrowings less cash and cash equivalent over total equity) of the Group was approximately 3.8% (31 December 2016: zero), where an increase in gearing ratio was recorded. The increase was mainly due the bank loans acquired from the acquisition of a wholly-owned subsidiary in February 2017.

Exchange risk exposure

The Group's sale were principally denominated in Renminbi, Hong Kong Dollars, US Dollars and Euro, with the majority denominated in Renminbi and Euro. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during six months ended 30 June 2017. However, in view of the fluctuation of Renminbi and Euro against Hong Kong Dollars and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

Contingent liabilities

As at 30 June 2017, the Group had contingent liabilities regarding the football players transfer to selling clubs and agents of approximately RMB6.2 million (31 December 2016: approximately RMB5.2 million) and performance bonus to football players and management staff of French's subsidiary of approximately RMB4.8 million (31 December 2016: approximately RMB2.3 million).

Capital commitment

As at 30 June 2017, there was no outstanding in the capital commitments regarding the contracted but not provided for and authorised but not provided for, while as at 31 December 2016, there was the capital commitments in contracted but not provided for in respect of the acquisition of the entire issued shares of a subsidiary of approximately RMB81.9 million and there was also no outstanding capital commitments in authorised but not provided for.

Charge on assets

As at 30 June 2017, investment property and pledged bank deposits of approximately RMB270.0 million (31 December 2016: RMBNil) and approximately RMB24.0 million (31 December 2016: approximately RMB26.7 million) were pledged to secure banking facilities granted to the Group respectively.

Employee information

As at 30 June 2017, the Group had over 350 (31 December 2016: over 600) employees in which around 24% (31 December 2016: around 92%) of who are full-time employees, and the majority of whom stationed in the PRC. Total employee remuneration for the six months ended 30 June 2017 amounted to approximately RMB70.1 million (six months ended 30 June 2016: approximately RMB66.7 million). The Group adopts a competitive remuneration package and incentives for its employees. Promotion, salary increments and discretionary bonus are assessed based on a performance related basis. Share options may also be granted to staff with reference to individual's performance. Employees are encouraged to take training courses or seminars from time to time to enhance their knowledge and skills.

Significant investment, material acquisition and disposal of subsidiaries and associated companies

On 29 December 2016, Champion Miracle Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Poly (China) Commercial Property Development Limited (保利（中國）商業地產開發有限公司) ("Poly China") and Mr. Tam Kar Wai (譚家偉先生), pursuant to which the Group had conditionally agreed to acquire, and Poly China had conditionally agreed to sell, the entire issued share capital of Affluent State Holdings Limited (富國控股有限公司) (the "Target Company"), which would, upon completion of an internal corporate reorganisation, indirectly holds a property situated in R&F YingXin Building (富力盈信大廈), Guangzhou, the PRC with a total gross floor area of approximately 2,580 sq.m., at the aggregate consideration of HK$103,500,000 (equivalent to approximately RMB92,684,000). The acquisition of the Target Company was completed on 28 February 2017. Details of which please refer to the announcements of the Company dated 4 November 2016, 29 December 2016 and 28 February 2017 respectively.

Save as disclosed above, there was no significant investment, material acquisition or disposal of subsidiaries, joint ventures and associates by the Company during the six months ended 30 June 2017.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the six months ended 30 June 2017 or subsisting at 30 June 2017 are set out below:

Unlisted warrants

Tranche 2 Unlisted Warrants issued on 7 December 2012

During the year ended 31 December 2012, the Company issued 88 tranche 2 unlisted warrants as part of the consideration for the extinguishment of the convertible notes, which entitle their holders to subscribe for a total of 45,128,248 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$1.95 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments ("Tranche 2 Unlisted Warrants"). During the year ended 31 December 2014, the subscription price was adjusted to HK$1.63 per share as a result the completion of the bonus issue. The Tranche 2 Unlisted Warrant are exercisable at any time during the period commencing from 7 December 2012 to 6 December 2017.

During the six months ended 30 June 2017, no (year ended 31 December 2016: no) Tranche 2 Unlisted Warrants was exercised to subscribe for ordinary shares of the Company. As at 30 June 2017, there are 0.01 (31 December 2016: 0.01) outstanding Tranche 2 Unlisted Warrants.

Share Option Scheme

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a new share option scheme (the "New Scheme") on 29 May 2017 whereby the directors are authorised, at their absolute discretion and subject to the terms of the New Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any full-time or part-time employees, executives, officers or directors (whether executives or non-executive and whether independent or not) of the Group, business or joint venture partners, advisers, contractors, agents or representatives, consultants, suppliers, producers or licensors, customers, licensees (including any sub-licenses), distributors, landlords or tenants (including any sub-tenants of the Group). The New Scheme became unconditional on 2 June 2017 and shall be valid and effective for a period of ten years commencing on 29 May 2017, subject to the early termination provisions contained in the New Scheme.

An offer for the grant of options must be accepted within 21 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of option is HK$1. The subscription price of a Share in respect of any particular option granted under the New Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the New Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the New Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the New Scheme. There is no minimum period for which an option must be held before it can be exercised under the New Scheme.

156,880,000 share options were granted to certain consultants and employees of the Company respectively under the New Scheme on 5 June 2017 of which 78,440,000 and 77,326,000 share options were exercised by a consultant and an employee during the six months ended 30 June 2017. There are 157,994,000 outstanding share options in total under the New Scheme as at 30 June 2017. There was no share option cancelled or lapsed during the six months ended 30 June 2017. The total number of Shares available for issue under the New Scheme as at the date of this report was 470,663,204 Shares which represented 5.9% of the issued share capital of the Company as at 30 June 2017.

Further information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

At 30 June 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which required notification pursuant to Division 7 and 8 of XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Interests in the issued shares of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Mr. Li Wing Sang	Beneficial owner	589,699,200 (Long position)	7.37%
Mr. Chiu Chi Hong	Beneficial owner	68,576,000 (Long position)	0.86%
Mr. Liu Xinsheng	Beneficial owner	65,470,400 (Long position)	0.82%
Mr. Lee Tsz Hang	Beneficial owner	64,370,000 (Long position)	0.80%

(ii) Interests in the issued shares of associated corporation

At 30 June 2017, none of the directors or any of their associates or chief executive of the Company, had any interests or short positions in any shares, underlying shares and 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 by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders in Shares, Underlying Shares and Debentures of the Company

At 30 June 2017, so far as is known to the directors of the Company, the following person (other than the directors or chief executive of the Company), who had interests of 5% in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Chu Yuet Wah	Substantial shareholder	481,246,800 (Long position)	6.02%

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

Corporate Governance

Save as described below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not, in any time during the six months ended 30 June 2017 in due compliance with the code provisions and certain recommended practices (with amendments from time to time) as set out in the Corporate Governance Code (the "CG Code") under appendix 14 to the Listing Rules.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Taking into account the current structure of the Company, there is no officer appointed with the title "chief executive officer" and accordingly, the Company is in deviation from code provision A.2.1.

Mr. Li Wing Sang, who acted as the chairman of the Company during the six months ended 30 June 2017, was also responsible for overseeing the general operations of the Group. As the directors of the Company would meet regularly to consider major matters affecting the operations of the Company, the directors of the Company consider that this structure will not impair the balance of power and authority between the directors and the management of the Company. The roles of the respective executive directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The directors of the Company believe that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance of complying with the code provision A.2.1 of the CG Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of chairman and chief executive officer.

Mode Code Set Out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code set out in appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all directors of the Company, all directors of the Company, saved as disclosed below, confirmed that they had complied with the Model Code for the six months ended 30 June 2017. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

During the period commencing on 10 August 2017 to 15 August 2017 (the "Relevant Period"), certain shares of the Company held by each of the chairman and executive director, Mr. Li Wing Sang and executive directors, Mr. Chiu Chi Hong and Mr. Liu Xinsheng which were deposited with securities firms (the "Brokers") as collaterals to secure their respective margin financing (the "Margin Securities"), were sold (the "Disposals") by certain Brokers without prior notice as a result of a decrease in share price of the Company during the Relevant Period. After the Relevant Period, the shareholding interests in the Company of Mr. Li Wing Sang, Mr. Chiu Chi Hong and Mr. Liu Xinsheng reduced from approximately 7.37% to approximately 7.30%, approximately 0.86% to approximately 0.83% and approximately 0.67% to approximately 0.52% respectively. The directors of the Company, who are not interest in the Disposals, satisfied that the Disposals were exceptional circumstance under code provision C.14 of the Model Code.

Changes of Directors' Information Under Rule 13.51B(1) of the Listing Rules

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of directors' information of the Company since the date of the 2016 annual report are as follows:

(i) Mr. Liu Xinsheng has been appointed as an executive director of Kingbo Strike Limited (stock code: 1421) whose shares are listed on the Main Board of the Stock Exchange on 2 May 2017.

(ii) Mr. Ong King Keung has been appointed as an independent non-executive director of Risecomm Group Holdings Limited (stock code: 1679) and company secretary of Kenford Group Holding Limited (stock code: 464) on May 2017 and 22 August 2017 respectively, both of whose shares are listed on the Main Board of the Stock Exchange.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 26 July 2007 with written terms of reference in compliance with the code provisions of the Code as set out in appendix 14 to the Listing Rules. The primarily duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

Following the resignation and appointment of directors on 2 March 2017, 8 March 2017 and 17 March 2017 (details of which are set out in the announcements of the Company dated 2 March 2017, 8 March 2017 and 17 March 2017 respectively) (the "Resignation and Appointment"), as at the date of this interim report, the Audit Committee comprises Mr. Ong King Keung, Mr. Zhou Jing and Ms. Wong Chi Yan, who are independent non-executive directors, and Mr. Ong King Keung is the chairman of the Audit Committee. In compliance with the rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are independent non-executive directors only and Mr. Ong King Keung and Ms. Wong Chi Yan possess professional accounting qualifications and relevant accounting experience.

The Audit Committee has also reviewed and discussed with the management of the Company regarding the Group's interim report for the six months ended 30 June 2017. The Audit Committee has confirmed that this interim report is in compliance with all applicable laws and regulations, including but not limited to the Listing Rules and have been reviewed before submission to the board of director of the Company for approval.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the board of directors passed on 26 July 2007 in compliance with the code provisions of the CG Code as set forth in appendix 14 to the Listing Rules. The primarily duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management of the Company. Upon the Resignation and Appointment, Mr. Ong King Keung, Mr. Zhou Jing and Ms. Wong Chi Yan are appointed as the chairman and members of Remuneration Committee to fill the casual vacancies respectively.

Investor Relations

The Company encourages dialogue with institutional investors and analysts. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely to all major news media. The same materials are also available on the websites of the Company and the Stock Exchange. The Group's investor relation firms in Hong Kong are Garrix International Company Limited and PR ASIA Consultants Limited.

On behalf of the Board
Li Wing Sang
Chairman

Hong Kong, 25 August 2017

Consolidated statement of profit or loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Turnover	5	**103,629**	109,656
Cost of sales		**(48,293)**	(46,518)
Gross profit		**55,336**	63,138
Other revenue and income	6	**32,680**	8,589
Selling and distribution costs		**(11,694)**	(13,324)
Administrative and other operating expenses		**(128,258)**	(116,760)
Amortisation of other intangible assets		**(3,021)**	(29,207)
Fair value gain on contingent consideration receivables		**928**	8,643
Impairment loss on other intangible assets		**–**	(19,248)
Net realised and unrealised loss on other current financial assets, net		**(395)**	(112)
Finance costs	7(a)	**(2,672)**	(22)
Share of results of a joint venture		**(2,218)**	8,112
Loss before income tax	7	**(59,314)**	(90,191)
Income tax	8	**584**	11,717
Loss for the period		**(58,730)**	(78,474)
Loss attributable to:			
Owners of the Company		**(59,636)**	(65,105)
Non-controlling interests		**906**	(13,369)
		(58,730)	(78,474)
Loss per share (RMB cents)	9		
– Basic and diluted		**(0.81 cents)**	(1.00 cents)

The notes on pages 22 to 36 form an integral part of these interim financial statements.

Consolidated statement of comprehensive income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	**(58,730)**	(78,474)
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
– Actuarial loss on pension obligations	**–**	(162)
Item that may be subsequently reclassified to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(7,221)**	8,059
Total comprehensive income for the period (net of tax)	**(65,951)**	(70,577)
Attributable to:		
Owners of the Company	**(66,803)**	(57,264)
Non-controlling interests	**852**	(13,313)
	(65,951)	(70,577)

The notes on pages 22 to 36 form an integral part of these interim financial statements.

Consolidated statement of financial position

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Non-current assets			
Investment property	11	**270,000**	–
Property, plant and equipment	12	**18,936**	22,100
Goodwill		**22,595**	–
Other intangible assets		**29,968**	32,989
Other non-current financial assets	13	**6,278**	124,525
Deferred tax assets		**2,381**	2,252
Interest in a joint venture		**255,478**	257,696
Deposit		**–**	10,746
		605,636	450,308
Current assets			
Other current financial assets	13	**122,002**	4,298
Inventories	14	**36,781**	30,536
Trade and bills receivables	15	**139,690**	122,703
Other receivables and prepayments		**104,352**	131,306
Pledged bank deposits		**24,048**	26,656
Cash at banks and in hand		**141,499**	98,689
		568,372	414,188
Current liabilities			
Trade payables	16	**41,751**	36,683
Other payables and accruals		**65,801**	79,421
Secured bank loans	17	**40,242**	–
Obligations under finance leases		**457**	527
Income tax payable		**21,153**	21,153
		169,404	137,784
Net current assets		**398,968**	276,404
Total assets less current liabilities		**1,004,604**	726,712
Non-current liabilities			
Secured bank loans	17	**132,592**	–
Obligations under finance leases		**57**	264
Defined benefit obligations		**1,384**	1,244
Deferred tax liabilities		**38,249**	6,882
		172,282	8,390
Net assets		**832,322**	718,322

	Note	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**17,503**	14,974
Reserves		**807,186**	696,567
		824,689	711,541
Non-controlling interests		**7,633**	6,781
Total equity		**832,322**	718,322

The notes on pages 22 to 36 form an integral part of these interim financial statements.

Consolidated statement of changes in equity

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Warrant reserve RMB'000	Other reserve RMB'000	Actuarial reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (audited)	14,267	1,624,732	7	12,344	(155)	–	12,948	(757,975)	99,544	1,005,712
Share-based payment for a share transaction	–	2,529	–	–	–	–	–	–	–	2,529
Loss for the period	–	–	–	–	–	–	–	(65,105)	(13,369)	(78,474)
Actuarial loss on pension obligations	–	–	–	–	(162)	–	–	–	–	(162)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	8,003	–	56	8,059
Total comprehensive income for the period	–	–	–	–	(162)	–	8,003	(65,105)	(13,313)	(70,577)
At 30 June 2016 (unaudited)	14,267	1,627,261	7	12,344	(317)	–	20,951	(823,080)	86,231	937,664
At 1 January 2017 (audited)	14,974	1,681,729	7	12,344	866	–	31,343	(1,029,722)	6,781	718,322
Share-based payment by granting share options	–	–	–	–	–	27,883	–	–	–	27,883
Issue of new shares:										
– upon acquisition of subsidiaries	1,106	76,748	–	–	–	–	–	–	–	77,854
– upon completion of placing	1,083	52,563	–	–	–	–	–	–	–	53,646
– upon exercise of share options	340	31,424	–	–	–	(13,838)	–	–	–	17,926
Share-based payment for a share transaction	–	2,642	–	–	–	–	–	–	–	2,642
Loss for the period	–	–	–	–	–	–	–	(59,636)	906	(58,730)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(7,167)	–	(54)	(7,221)
Total comprehensive income for the period	–	–	–	–	–	–	(7,167)	(59,636)	852	(65,951)
At 30 June 2017 (unaudited)	17,503	1,845,106	7	12,344	866	14,045	24,176	(1,089,358)	7,633	832,322

The notes on pages 22 to 36 form an integral part of these interim financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(16,567)**	(52,180)
Net cash generated from investing activities	**199**	106
Net cash generated from/(used in) financing activities	**67,325**	(342)
Net increase/(decrease) in cash and cash equivalents	**50,957**	(52,416)
Cash and cash equivalents at 1 January	**98,689**	128,579
Effect of foreign exchange rate changes	**(8,147)**	5,578
Cash and cash equivalents at 30 June	**141,499**	81,741

The notes on pages 22 to 36 form an integral part of these interim financial statements.

Notes to the Interim Financial Statements

For the six months ended 30 June 2017

1. General Information

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of LED lighting products and accessories, the provision for energy efficiency projects, the promotion and development of a professional football club and the provision of property leasing and sub-leasing services.

These unaudited interim financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. Renminbi is the functional and presentation currency of the Group.

2. Basis of Preparation

The unaudited interim financial statements for the six months ended 30 June 2017 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2016 and these interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performances of the Group since the annual financial statements for the year ended 31 December 2016. The condensed consolidated interim financial statements and notes thereto do not include all the information required for a full set of financial statements prepared in accordance with HKFRSs.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing the interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimated uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2016.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's principal place of business.

3. Application of New and Revised Hong Kong Financial Reporting Standards

In the current period, the HKICPA has issued several amendments to HKFRSs which are effective for the current accounting period but none of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Financial Risk Management and Fair Value of Financial Instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since last year end.

(b) Fair values

(i) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, catergorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

4. Financial Risk Management and Fair Value of Financial Instruments (Continued)

(b) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2017 and 31 December 2016:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000
As at 30 June 2017 (unaudited)			
Assets			
– Contingent consideration receivables	–	–	11,602
– Other current financial assets	3,202	–	–
As at 31 December 2016 (audited)			
Assets			
– Contingent consideration receivables	–	–	10,088
– Other current financial assets	4,298	–	–

During the six months ended 30 June 2017 and year ended 31 December 2016, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of instruments in Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

As at 31 December 2016, the fair value of the contingent consideration receivables is a Level 3 fair value measurement and is estimated by applying probability weighted discount cash flows method. The fair value is determined by Peak Vision Appraisals Limited, a professional valuers, which is based on discount rate which is unobservable. The significant unobservable input and relationship of this input to fair value of the contingent consideration receivables are shown as below:

Significant unobservable input	**Relationship of unobservable input to fair value**
Probability in staying in Ligue 2 of 99.70%	The higher the probability, the higher the fair value
Discount rate of 11.27%	The higher the discount rate, the lower the fair value

The movements of contingent consideration receivables during the six months ended 30 June 2017 in the balance of Level 3 fair value measurements are as follows:

	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (audited)
Contingent consideration receivables:		
As at 1 January	**10,088**	8,967
Repayment	**–**	(11,249)
Change in fair value recognised in profit or loss	**928**	11,669
Exchange realignment	**586**	701
At 30 June 2017	**11,602**	
At 31 December 2016		10,088

4. Financial Risk Management and Fair Value of Financial Instruments (Continued)

(b) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 31 December 2016, decrease in probability of staying in Ligue 2 by 10% would decrease the fair value of the contingent consideration receivables by RMB1,009,000. Increase in probability of staying in Ligue 2 by 0.3% would increase the fair value of the contingent consideration receivables by RMB30,000.

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value at 30 June 2017 and 31 December 2016.

(iii) Transferred financial assets that are derecognised in their entirety

During the six months ended 30 June 2017 and year ended 31 December 2016, the Group endorsed certain bills receivables accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of directors of the Company, the Group has transferred substantially all risks and rewards relating the Derecognised Bills. Accordingly, it has derecognised the full carrying amount of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flow to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair value of the Group's Continuing Involvement in the Derecognised Bills are not significant.

5. Turnover and Segment Reporting

(a) Turnover and revenue

Turnover represents the net invoice value of goods supplied to customers less returns and allowance, service income from energy efficiency projects, broadcasting income, matchday ticket income, sponsorship and advertising income and rental income. The amount of each significant category of revenue recognised in turnover during the period is as follow:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of products and accessories	**51,079**	54,021
Service income from energy efficiency projects	**10,069**	9,981
Broadcasting income	**20,979**	24,471
Matchday ticket income	**6,486**	8,343
Sponsorship and advertising income	**11,695**	12,840
Rental income	**3,321**	–
	103,629	109,656

5. Turnover and Segment Reporting (Continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the senior management for the purposes of resources allocation and performance assessment, the Group has engaged in three reporting segments.

– LED lighting

– Professional football club

– Provision of property leasing and sub-leasing services

The newly acquired wholly-owned subsidiary in February 2017 is classified under provision of property leasing and sub-leasing services segment.

The manufacture and sale of LED lighting products and accessories segment and energy efficiency projects segment have been aggregated into one segment named as "LED lighting". As the reported revenue, the absolute amount of the reported profit or loss and the total assets of the energy efficiency projects segment have not exceeded the quantitative thresholds, no separate operating segments have been presented.

Information regarding the Group's reportable segments as provided to the senior management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 is set out below:

	Six months ended 30 June 2017			
	LED lighting RMB'000 (unaudited)	Professional football club RMB'000 (unaudited)	Property leasing and sub-leasing services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	60,275	41,157	3,321	104,753
Inter-segment revenue	–	(1,124)	–	(1,124)
Reportable segment revenue from external customers	60,275	40,033	3,321	103,629
Reportable segment results	(36,784)	9,380	(12,607)	(40,011)
Other information:				
Interest income	30	133	1	164
Interest expenses	–	–	(2,660)	(2,660)
Depreciation of property, plant and equipment	(7,188)	(1)	–	(7,189)
Amortisation of other intangible assets	(3,021)	–	–	(3,021)
Bad debt (written-off)/recovery	(2,207)	27	–	(2,180)
Reversal of impairment on trade and other receivables, net	587	–	–	587
Fair value gain on contingent consideration receivables	–	928	–	928
Gain on disposal of property, plant and equipment	844	–	–	844
Share of results of a joint venture	–	–	(2,218)	(2,218)

5. Turnover and Segment Reporting (Continued)

(b) Segment reporting (Continued)

	As at 30 June 2017			
	LED lighting RMB'000 (unaudited)	**Professional football club RMB'000 (unaudited)**	**Property leasing and sub-leasing services RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**
Reportable segment assets	**304,796**	**133,314**	**674,916**	**1,113,026**
Reportable segment liabilities	**69,460**	**26,775**	**178,582**	**274,817**

	Six months ended 30 June 2016			
	LED lighting RMB'000 (unaudited)	Professional football club RMB'000 (unaudited)	Property leasing and sub-leasing services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	61,576	49,173	–	110,749
Inter-segment revenue	–	(1,093)	–	(1,093)
Reportable segment revenue from external customers	61,576	48,080	–	109,656
Reportable segment results	(70,853)	(17,332)	8,112	(80,073)
Other information:				
Interest income	267	401	–	668
Interest expenses	(1)	–	–	(1)
Depreciation of property, plant and equipment	(6,038)	(227)	–	(6,265)
Amortisation of other intangible assets	(27,600)	(1,607)	–	(29,207)
(Allowance for)/reversal of impairment on trade and other receivables, net	(8,996)	472	–	(8,524)
Fair value gain on contingent consideration receivables	–	8,643	–	8,643
Impairment loss on other intangible assets	(19,248)	–	–	(19,248)
Loss on disposal of property, plant and equipment	(26)	–	–	(26)
Net realised and unrealised gain on other current financial assets	57	–	–	57
Share of results of a joint venture	–	–	8,112	8,112

	As at 31 December 2016			
	LED lighting RMB'000 (audited)	Professional football club RMB'000 (audited)	Property leasing and sub-leasing services RMB'000 (audited)	Total RMB'000 (audited)
Reportable segment assets	320,569	125,408	376,496	822,473
Reportable segment liabilities	62,369	49,153	–	111,522

5. Turnover and Segment Reporting (Continued)

(b) Segment reporting (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment results	**(40,011)**	(80,073)
Unallocated interest expenses	**(12)**	(21)
Unallocated depreciation of property, plant and equipment	**(365)**	(596)
Net realised and unrealised loss on other current financial assets	**(395)**	(169)
Unallocated corporate administrative expenses	**(18,531)**	(9,332)
Consolidated loss before income tax	**(59,314)**	(90,191)

6. Other Revenue and Income

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	**164**	668
Scrap sale	**45**	723
Gain on disposal of players' registration rights	**22,648**	5,661
Others	**9,823**	1,537
	32,680	8,589

7. Loss Before Income Tax

This is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on bank loans	**2,660**	1
Finance charges on obligations under finance leases	**12**	21
Total finance costs	**2,672**	22
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**57,519**	51,518
Contributions to retirement plans	**12,596**	15,229
Total staff costs	**70,115**	66,747

7. Loss Before Income Tax (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(c) Others		
Allowance for impairment on trade and other receivables, net and bad debts written off, net	**1,593**	8,524
Auditor's remuneration		
– Non-audit services	**157**	194
Cost of inventories sold	**44,893**	46,518
Depreciation of property, plant and equipment	**7,554**	6,861
(Gain)/loss on disposal of property, plant and equipment	**(844)**	26
Operating lease charges in respect of land and buildings	**4,713**	4,257
Research and development expenditure	**166**	152
Share-based payments	**30,525**	2,529
Write-down of inventories	**3,400**	–

8. Income Tax

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax		
– Under-provision in prior years	**–**	1
Deferred tax	**(584)**	(11,718)
	(584)	(11,717)

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(b) No provision for Hong Kong Profits Tax is provided as there are no estimated assessable profits for the current and prior periods.

(c) The domestic tax rate of the Group's principal subsidiaries in the People's Republic of China ("PRC") is used as it is where the operations of these subsidiaries are substantially based. Except for a PRC subsidiary which entities a preferential tax rate of 15% for the six years since the year ended 31 December 2014 as it is certified as a high and new technology enterprise, the standard enterprise income tax rate of 25% (year ended 31 December 2016: 25%) is applicable to the rest of the Group's principal subsidiaries in the PRC.

(d) No provision for Spain Company Tax is provided as there are no estimated assessable profits for the current and prior periods.

(e) No provision for France Corporate Income Tax is provided as there are no estimated assessable profits for the current and prior periods.

9. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2017.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company	**59,636**	65,105

	As at 30 June 2017 (unaudited)	As at 30 June 2016 (unaudited)
Weighted average number of shares in issue	**7,397,425,647**	6,536,862,044

(b) Diluted loss per share

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares in the calculation as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2016 and 2017.

10. Dividends

The directors of the Company did not recommend payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: RMBNil).

11. Investment Property

The valuation of investment property carried at fair value was updated at 31 January 2017 with reference to the professional valuation performed by DTZ Cushman & Wakefield Limited, an independent firm of professionally qualified valuers, using the direct comparison method by making reference to comparable sale evidences as available in the relevant market, or where appropriate, the investment approach by considering the capitalised income derived from the existing tenancy and the reversionary potential of the investment property. In the opinion of the directors of the Company, there was no significant change in the fair value of the investment property at 30 June 2017.

12. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB4,201,000 (six months ended 30 June 2016: RMB6,535,000) and disposed of items of property, plant and equipment with a carrying amount of RMB10,000 (six months ended 30 June 2016: RMB41,000). As at 30 June 2017, the carrying amount of property, plant and equipment held under finance lease of the Group was RMB537,000 (31 December 2016: RMB750,000).

13. Other Financial Assets

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Regulatory loan	**6,278**	5,725
Amount due from a joint venture (Note (a))	**118,800**	118,800
Listed securities in Hong Kong	**3,202**	4,298
	128,280	128,823
Non-current portion	**6,278**	124,525
Current portion	**122,002**	4,298
	128,280	128,823

(a) The amount due from a joint venture is unsecured, interest-free and repayable in second quarter of 2018.

14. Inventories

During the six months ended 30 June 2017, RMB3,400,000 (six months ended 30 June 2016: RMBNil) was recognised as a reduction in the amount of inventories and charged in profit or loss in the current period, being the amount of a write-down of inventories to estimated net realisable value. The write-down arose due to a decrease in the estimated net realisable value of certain inventories under regular review.

15. Trade and Bills Receivables

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Trade receivables	**170,164**	159,036
Less: Impairment	**(34,315)**	(37,178)
	135,849	121,858
Bills receivables	**3,841**	845
	139,690	122,703

All of the trade and bills receivables are expected to be recovered within one year.

15. Trade and Bills Receivables (Continued)

Aging analysis of trade and bills receivables based on the invoice date (or date of revenue recognition, if earlier) and net of impairment as of the end of the reporting period is as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
0–30 days	**29,294**	25,841
31–90 days	**19,646**	23,174
91–180 days	**32,230**	17,170
181–365 days	**29,581**	22,823
Over 365 days	**28,939**	33,695
	139,690	122,703

The Group normally grants a normal credit period of 90 to 365 days (31 December 2016: 90 to 365 days) to its customers. Certain well-established customers who have strong financial strength, good repayment history and creditworthiness, the Group extends their credit period beyond 180 days. Each customer of the Group has a maximum credit limit.

16. Trade Payables

Aging analysis of trade payables based on the invoice date (or date of cost recognition, if earlier) as of the end of the reporting period is as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
0–30 days	**11,698**	16,741
31–90 days	**10,395**	10,061
91–365 days	**17,807**	8,640
Over 365 days	**1,851**	1,241
	41,751	36,683

The credit terms granted by suppliers are generally for a period of 30 to 90 days (31 December 2016: 30 to 90 days), computing from the end of the month of the relevant purchase.

17. Secured Bank Loans

At 30 June 2017, the secured bank loans were repayable as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Within 1 year or on demand	**40,242**	–
After 1 year but within 2 years	**28,463**	–
After 2 years but within 5 years	**104,129**	–
	172,834	–

At 30 June 2017, the Group's secured bank loans were interest-bearing at rate of 4.75% per annum.

18. Share Capital

	Number of shares of HK$0.0025 each	**Nominal value of ordinary shares** HK$'000
Authorised:		
At 31 December 2016 (audited) and 30 June 2017 (unaudited)	**8,000,000,000**	20,000

	Number of shares of HK$0.0025 each	**Nominal value of ordinary shares** HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2016 (audited)	6,536,862,044	16,342	14,267
Issue of ordinary shares			
– upon completion of placing (Note (a))	318,000,000	795	707
At 31 December 2016 (audited) and 1 January 2017 (audited)	6,854,862,044	17,137	14,974
Issue of ordinary shares			
– upon acquisition of a wholly-owned subsidiary (Note (b))	500,000,000	1,250	1,106
– upon completion of placing (Note (a))	489,370,000	1,223	1,083
– upon exercise of share options (Note (c))	155,766,000	390	340
At 30 June 2017 (unaudited)	7,999,998,044	20,000	17,503

18. Share Capital (Continued)

(a) Issue of new ordinary shares by placement under general mandate

During the year ended 31 December 2016, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 318,000,000 new ordinary shares of HK$0.0025 each to investors at a placing price of HK$0.192 each, resulting in an aggregate proceeds of RMB52,558,000, net of expenses, of which RMB707,000 was credited to share capital and the remaining RMB51,851,000 was credited to the share premium account.

During the six months ended 30 June 2017, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 489,370,000 new ordinary shares of HK$0.0025 each to investors at a placing price of HK$0.128 each, resulting in an aggregate proceeds of RMB53,646,000, net of expenses, of which RMB1,083,000 was credited to share capital and the remaining RMB52,563,000 was credited to the share premium account.

(b) Issue of new ordinary shares upon acquisition of a wholly-owned subsidiary

During the six months ended 30 June 2017, the Company issued 500,000,000 new ordinary shares of HK$0.0025 each measured at a price of HK$0.176 each, being the relevant closing market price of the shares of the Company as part of the consideration for the acquisition of a wholly-owned subsidiary, which gave rise to a notional consideration amount of RMB77,854,000 (Note 19). Accordingly, RMB1,106,000 was credited to share capital and the remaining balance of RMB76,748,000 was credited to share premium account.

(c) Issue of new ordinary shares upon exercise of share options

On 5 June 2017, 156,880,000 and 156,880,000 share options were granted to certain consultants and employees of the Company respectively at a consideration of HK$1 for each share option holder under the Company's share option scheme (six months ended 30 June 2016: Nil). Each share option gives the holder the right to subscribe for one ordinary share of the Company. The share options have been vested on 6 June 2017 and then will be exercisable until 5 June 2027. The exercise price is HK$0.132, being the average of the closing prices for the five business days immediately preceding the grant.

78,440,000 and 77,326,000 share options were exercised by a consultant and an employee respectively during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). Accordingly, RMB340,000 was credited to share capital and the remaining balance of RMB31,424,000 was credited to share premium account. The exercise of the above share option also resulted in the transfer of RMB13,838,000 from share option reserve.

19. Acquisition of a Subsidiary

On 28 February 2017, the Group has completed the acquisition of the entire issued share capital of Affluent State Holdings Limited ("Affluent State") for an aggregate consideration, pursuant to the sale and purchase agreement, of HK$103,500,000 (the "Consideration"). The Consideration was paid by (i) cash of HK$12,000,000 (equivalent to approximately RMB10,616,000) and (ii) issuance of 500,000,000 ordinary shares of the Company at the issue price of HK$0.183 per share. The amount of goodwill arising as a result of the acquisition was RMB22,595,000. Affluent State and its subsidiaries (collectively the "Target Group") are engaged in property investment in the PRC. Affluent State was acquired so as to further expand the Group's property leasing and sub-leasing business in the PRC.

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

	RMB'000 (unaudited)
Investment property	270,000
Trade receivables	1,741
Other receivables and prepayments	1,195
Cash at bank and in hand	641
Other payables and accruals	(329)
Deposits received	(1,150)
Bank loans	(174,272)
Deferred tax liabilities	(31,951)
Total identifiable net assets	65,875
Goodwill (Note (a))	22,595
	88,470
Consideration:	
Cash	10,616
Issuance of 500,000,000 ordinary shares (Note (c))	77,854
	88,470

Notes:

(a) The goodwill of RMB22,595,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

(b) The net cash outflow on acquisition of the Target Group is RMB9,975,000, which represented the cash consideration paid of RMB10,616,000 less cash at banks and in hand acquired of RMB641,000.

(c) The fair value of the shares issued was determined by reference to the closing price of HK$0.176 per share as quoted on the Stock Exchange on the date of the acquisition.

(d) Since the acquisition, the Target Group has contributed revenue of RMB3,321,000 and loss of RMB462,000 to the Group. If the acquisition had occurred on 1 January 2017, the Group's revenue and loss would have been RMB105,283,000 and RMB59,240,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor it is intended to be a projection of future performance.

Further details are set out in the Company's announcements dated 4 November 2016, 29 December 2016 and 28 February 2017 respectively.

20. Pledged Assets

Other than those disclosed elsewhere in these interim financial statements, at the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Investment property	**270,000**	–
Pledged bank deposits	**24,048**	26,656
	294,048	26,656

The corporate guarantee of the Company's subsidiary was executed to secure the bank loans of the Group as at 30 June 2017 (31 December 2016: Nil).

21. Capital Commitments

At the end of the reporting period, the Group had following capital commitments:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Contracted but not provided for		
– Acquisition of the entire issued share capital of a subsidiary	**–**	81,938

22. Contingent Liabilities

(a) Related to football players transfers

Under the terms of certain contracts with selling football clubs and agents in respect of players transfers, contingent amount, in excess of the amounts included in the cost of players' registrations, would be playable to the selling clubs and agents if certain specific performance conditions (subject to future events) are met. As at 30 June 2017, the contingent amounts in relation to purchase of football players was RMB6,233,000 (31 December 2016: RMB5,219,000).

(b) Related to ranking of professional football club

Under the terms of employment contracts with certain players and management staff in French's subsidiary, if French's subsidiary meets the specific ranking in French Ligue or entitles to participate certain competitions in French Ligue, there would be contingent amount or performance bonus to be payable by this French's subsidiary to these players and management staffs of the football club. As at 30 June 2017, the contingent amount in relation to the ranking of professional football club was RMB4,796,000 (31 December 2016: RMB2,339,000).

23. Events After the Reporting Period

Increase in authorised share capital

On 4 July 2017, an ordinary resolution was passed by the shareholders at the extra-ordinary general meeting of the Company, in which the authorised share capital of the Company was increased from HK$20,000,000 divided into 8,000,000,000 shares at HK$0.0025 each to HK$50,000,000 divided into 20,000,000,000 shares at HK$0.0025 each by the creation of additional 12,000,000,000 shares at HK$0.0025 each, which are rank pari passu with all existing shares. Further details are set out in the Company's announcements and circular dated 13 June 2017, 14 June 2017 and 4 July 2017 respectively.