九號運通有限公司
Nine Express Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 00009

2018
Interim Report

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors:
Ms. Qian Ling Ling *(Chairman)*
Mr. Zhang Li *(Chief Executive Officer)*
Mr. Xiang Junjie

Independent Non-executive Directors:
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

Company Secretary

Ms. Tsang Wing Man

Authorised Representatives

Ms. Qian Ling Ling
Mr. Zhang Li

Auditor

RSM Hong Kong
Certified Public Accountants
29/F, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Principal Bankers

Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Dongguan Rural Commercial Bank Company Limited
Bank of China (Hong Kong) Limited

Audit Committee

Mr. Tang Ping Sum *(Chairman)*
Mr. Tsui Pui Hung
Mr. Chiu Sin Nang, Kenny

Remuneration Committee

Mr. Chiu Sin Nang, Kenny *(Chairman)*
Mr. Tang Ping Sum
Mr. Tsui Pui Hung

Nomination Committee

Mr. Tsui Pui Hung *(Chairman)*
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 4101, 41/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Company Website

www.nine-express.com.hk

The board (the "Board") of directors (the "Directors") of Nine Express Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Revenue	5	**25,245**	106,375
Cost of sales		**(16,960)**	(96,973)
Gross profit		**8,285**	9,402
Other income		**52**	3
Impairment loss on investment in an associate		**–**	(106,486)
Properties development in progress written down		**–**	(63,287)
Properties held for sale written down		**–**	(17,211)
Loss on early redemption of convertible notes		**(363)**	(972)
Share based payment		**(25,633)**	–
Administrative expenses		**(25,689)**	(19,904)
Selling and marketing expenses		**(302)**	(1,864)
Operating loss	8	**(43,650)**	(200,319)
Finance income	7	**345**	56
Finance costs	7	**(19,495)**	(22,980)
Finance costs – net	7	**(19,150)**	(22,924)
Share of profit of investment in associates		**767**	457
Loss before income tax		**(62,033)**	(222,786)
Income tax (expense)/credit	9	**(1,512)**	1,970
Loss for the period attributable to owners of the Company		**(63,545)**	(220,816)
Loss per share	11		
Basic		**HK(2.12)cents**	HK(8.94)cents
Diluted		**HK(2.12)cents**	HK(8.94)cents

Details of the dividend are disclosed in note 10 to the condensed consolidated financial statements.

The notes on pages 9 to 31 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Loss for the period attributable to owners of the Company	**(63,545)**	(220,816)
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(16,707)**	4,231
Share of other comprehensive income of an associate accounted for using the equity method	**(31)**	(21)
Total comprehensive income for the period attributable to owners of the Company	**(80,283)**	(216,606)

The notes on pages 9 to 31 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**338,066**	141,889	71,994
Land use rights		**72,124**	77,273	79,285
Investment properties		**267,041**	270,819	256,868
Investments in associates	*12*	**870,891**	645,540	891,420
Equity instruments at FVTOCI – Broad World		**65,000**	65,000	62,672
Financial assets at FVTPL – GLC Fund		**110,000**	110,000	105,050
Prepayments and other receivables		**–**	1,380	16,495
Film rights		**102**	102	102
Financial assets at FVTPL – Contingent consideration receivable		**–**	95,225	63,400
Total non-current assets		**1,723,224**	1,407,228	1,547,286
Current assets				
Properties for sale or under development		**870,751**	876,810	982,999
Inventories		**3**	1	2
Trade and rental receivables	*13*	**14,410**	12,703	10,642
Contract assets		**1,062**	9,186	11,945
Prepayments and other receivables		**33,214**	38,365	11,738
Tax recoverable		**–**	–	7
Financial assets at FVTPL – Contingent consideration receivable		**95,225**	52,892	24,231
Restricted bank deposits		**22,783**	24,068	8,692
Cash and cash equivalents		**19,288**	7,645	24,010
Total current assets		**1,056,736**	1,021,670	1,074,266
Current liabilities				
Trade payables	*14*	**35,482**	45,583	18,146
Other payables, accruals and deposits received		**285,141**	183,318	148,568
Contract liabilities		**3,899**	16,846	11,726
Borrowings	*15*	**283,933**	306,678	371,610
Convertible notes	*16*	**97,920**	–	–
Current tax liabilities		**3,745**	4,113	2,121
Total current liabilities		**710,120**	556,538	552,171
Net current assets		**346,616**	465,132	522,095
Total assets less current liabilities		**2,069,840**	1,872,360	2,069,381

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2018

	Note	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Non-current liabilities				
Deposits received		**2,660**	2,698	2,501
Borrowings	*15*	**711,819**	356,480	326,075
Convertible notes	*16*	**–**	134,911	136,828
Deferred tax liabilities		**162,390**	164,372	157,140
Total non-current liabilities		**876,869**	658,461	622,544
Net assets		**1,192,971**	1,213,899	1,446,837
Equity attributable to owners of the Company				
Issued share capital	*17*	**30,890**	29,654	24,712
Other reserves		**1,162,081**	1,184,245	1,422,125
Total equity		**1,192,971**	1,213,899	1,446,837

The notes on pages 9 to 31 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company											
	Issued share capital	Share premium	Contributed surplus[1]	Equity component of the convertible notes	Exchange reserve	Special reserve[2]	Share options reserve	Warrants reserve	FVTOCI reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017												
As previous reported	24,712	1,880,674	459,047	101,339	(35,638)	17,926	39,804	211	–	56	(1,041,294)	1,446,837
Adjustment on initial application of HKFRS 15	–	–	–	–	–	–	–	–	–	–	–	–
As restated	24,712	1,880,674	459,047	101,339	(35,638)	17,926	39,804	211	–	56	(1,041,294)	1,446,837
Total comprehensive income for the period	–	–	–	–	4,230	–	–	–	–	(21)	(220,792)	(216,583)
Early redemption of convertible notes *(note 16 (b))*	–	–	–	(5,009)	–	–	–	–	–	–	–	(5,009)
Share options lapsed	–	–	–	–	–	–	(6,634)	–	–	–	6,634	–
Warrants lapsed	–	–	–	–	–	–	–	(211)	–	–	211	–
Adjustment on initial application of HKFRS 15	–	–	–	–	1	–	–	–	–	–	(24)	(23)
Change in equity for the period	–	–	–	(5,009)	4,231	–	(6,634)	(211)	–	(21)	(213,971)	(221,615)
Balance at 30 June 2017 (unaudited) (As restated)	24,712	1,880,674	459,047	96,330	(31,407)	17,926	33,170	–	–	35	(1,255,265)	1,225,222
Balance at 31 December 2017 and 1 January 2018												
As previous reported	29,654	1,991,744	459,047	95,541	9,389	17,926	–	–	–	22	(1,396,702)	1,206,621
Adjustment on initial application of HKFRS 9	–	–	–	–	–	–	–	–	2,328	–	4,950	7,278
Adjustment on initial application of HKFRS 15	–	–	–	–	–	–	–	–	–	–	–	–
As restated	29,654	1,991,744	459,047	95,541	9,389	17,926	–	–	2,328	22	(1,391,752)	1,213,899
Total comprehensive income for the period	–	–	–	–	(16,707)	–	–	–	–	(31)	(63,545)	(80,283)
Early redemption of convertible notes *(note 16 (b))*	–	–	–	(7,547)	–	–	–	–	–	–	–	(7,547)
Exercise of share options	1,236	61,304	–	–	–	–	(21,271)	–	–	–	–	41,269
Share options granted	–	–	–	–	–	–	25,633	–	–	–	–	25,633
Change in equity for the period	1,236	61,304	–	(7,547)	(16,707)	–	4,362	–	–	(31)	(63,545)	(20,928)
Balance at 30 June 2018 (unaudited)	30,890	2,053,048	459,047	87,994	(7,318)	17,926	4,362	–	2,328	(9)	(1,455,297)	1,192,971

1 Contributed surplus of the Group arose from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.

2 Special reserve of the Group mainly represents the sum of the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of approximately HK$10,420,000 and the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK$7,506,000.

The notes on pages 9 to 31 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (restated)
Net cash generated from operating activities	**24,540**	10,893
Cash flows from investing activities		
Purchase of property, plant and equipment	**(160,318)**	(2,180)
Proceeds from disposal of property, plant and equipment	**–**	11
Loan to an associate	**(2)**	–
Capital contribution to an associate	**(224,613)**	–
Advanced proceeds from disposal of equity instruments at FVTOCI	**28,726**	–
Decrease/(increase) in restricted bank deposits	**1,546**	(11,896)
Interest received	**36**	56
Net cash used in investing activities	**(354,625)**	(14,009)
Cash flows from financing activities		
Proceeds from borrowings	**703,515**	27,000
Repayment of borrowings	**(372,400)**	(16,791)
Issue of shares	**41,269**	–
Interest paid on borrowings	**(9,805)**	(14,175)
Net cash from/(used in) financing activities	**362,579**	(3,966)
Net increase/(decrease) in cash and cash equivalents	**32,494**	(7,082)
Cash and cash equivalents at beginning of the period	**5,176**	21,029
Effect of foreign exchange rate changes, net	**(20,904)**	(1,110)
Cash and cash equivalents at end of the period	**16,766**	12,837
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**19,288**	15,844
Bank overdraft – secured	**(2,522)**	(3,007)
	16,766	12,837

The notes on pages 9 to 31 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

Nine Express Limited (the "Company") was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group consist of film distribution and licensing, film processing, rental of property, property and hotel development and investment in centralised heat supply.

This condensed consolidated financial information has not been audited but has been reviewed by the Company's audit committee.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Principal accounting policies

These condensed consolidated financial statements have been prepared on the historical cost convention except for investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which have been measured at fair value.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the adoption of new HKFRS as disclosed below.

3 Principal accounting policies *(continued)*

Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise HKFRS, HKAS and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers with the full retrospective method. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement and impairment. The Group had adopted HKFRS 9 from 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

Under HKFRS 9, financial assets are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are, as follows:

– Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, and contract assets, and deposits and other receivables.

– Equity instruments at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its 19% equity interest in Broad World Holdings Limited ("Broad World") as equity instruments at FVTOCI. Equity instruments at FVTOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's 19% equity interest in Broad World were classified as available-for-sale financial asset.

– Financial assets at FVTPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. The Group classified its available-for-sale assets GLC Special Situations Fund L.P. ("GLC Fund") as debt instrument at FVTPL. Under HKAS 39, the Group's equity interest in GLC Fund were classified as available-for-sale financial asset.

3 Principal accounting policies *(continued)*

Adoption of new and revised Hong Kong Financial Reporting Standards (continued)

HKFRS 9 Financial Instruments (continued)

(b) *Impairment*

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for the Group's financial assets as at 31 December 2017 and 1 January 2017.

			As at 31 December 2017		As at 1 January 2017	
Financial assets	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 *HK$'000*	Carrying amount under HKFRS 9 *HK$'000*	Carrying amount under HKAS 39 *HK$'000*	Carrying amount under HKFRS 9 *HK$'000*
Available-for-sale financial assets – Broad World	Available-for-sale	Equity instruments at FVTOCI	62,672	65,000	62,672	62,672
Available-for-sale financial assets – GLC Fund	Available-for-sale	Financial assets at FVTPL	105,050	110,000	105,050	105,050

Consolidated statement of financial position at 31 December 2017 (extract)	As previously reported *HK$'000*	Effect of the adoption of HKFRS 9 *HK$'000*	As restated *HK$'000*
Non-current assets			
Available-for-sale financial assets	167,722	(167,722)	–
Equity instruments at FVTOCI – Broad World	–	65,000	65,000
Financial assets at FVTPL – GLC Fund	–	110,000	110,000

3 Principal accounting policies *(continued)*

Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

HKFRS 9 Financial Instruments(continued)

Consolidated statement of financial position at 1 January 2017 (extract)	**As previously reported** *HK$'000*	**Effect of the adoption of HKFRS 9** *HK$'000*	**As restated** *HK$'000*
Non-current assets			
Available-for-sale financial assets	167,722	(167,722)	–
Equity instruments at FVTOCI – Broad World	–	62,672	62,672
Financial assets at FVTPL – GLC Fund	–	105,050	105,050

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the full retrospective method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 under HKAS 18, HKAS 11 and related interpretations has been restated.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

3 Principal accounting policies *(continued)*

Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

HKFRS 15 Revenue from Contracts with Customers (continued)

Timing of revenue recognition

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the licensing of the distribution and broadcasting rights over films and television series and property rental services.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group would recognise revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. In addition, the transaction price and the amount of revenue from sales of properties will be adjusted when significant financing component exists in that contract.

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effect of a financing component, if significant. The Group assessed the effects of financing components are not significant and the transaction price is not adjusted.

Set out below is the impact of the adoption of HKFRS 15 on the Group.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	*Note*	**Previously stated as at 31 December 2017** *HK$'000*	**Reclassification under HKFRS 15** *HK$'000*	**Adjustments under HKFRS 15** *HK$'000*	**Restated as at 31 December 2017** *HK$'000*
Properties for sale or under development		1,007,784	–	(130,974)	876,810
Trade and rental receivables	*(a)*	15,325	(2,622)	–	12,703
Contract assets	*(a)*	–	2,622	6,564	9,186
Other payables, accruals and deposits received	*(a)*	324,574	(16,846)	(124,410)	183,318
Contract liabilities	*(a)*	–	16,846	–	16,846

3 Principal accounting policies *(continued)*

Adoption of new and revised Hong Kong Financial Reporting Standards (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Consolidated statement of financial position (extract)	*Note*	**Previously stated as at 1 January 2017** *HK$'000*	**Reclassification under HKFRS 15** *HK$'000*	**Adjustments under HKFRS 15** *HK$'000*	**Restated as at 1 January 2017** *HK$'000*
Properties for sale or under development		1,035,652	–	(52,653)	982,999
Contract assets	*(a)*	–	–	11,945	11,945
Other payables, accruals and deposits received	*(a)*	201,002	(11,726)	(40,708)	148,568
Contract liabilities	*(a)*	–	11,726	–	11,726

Notes:

(a) Reclassification and adjustments were made as at 31 December 2017 and 1 January 2017 to be consistent with the terminology under HKFRS 15:–

Contract assets consist of amount resulting from sale of properties when the amount of revenue recognised with the terminology under HKFRS 15 exceeds the proceeds received from customers. Contract assets recognised in relation to sale of properties were previously presented as trade receivables.

Contract liabilities consist of amount resulting from sale of properties when the proceeds received from customers exceed the amount of revenue recognised with the terminology under HKFRS 15. Contract liabilities recognised in relation to sale of properties were previously presented as deposits received.

3 Principal accounting policies *(continued)*

Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

HKFRS 15 Revenue from Contracts with Customers (continued)

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

As at 30 June 2018 (unaudited)	**As reported**	**Effect of the adoption of HKFRS 15**	**Amounts without adoption of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract)			
Trade and rental receivables	14,410	1,100	15,510
Contract assets	1,062	(1,062)	–
Other payables, accruals and deposits received	285,141	141,012	426,153
Contract liabilities	3,899	(3,899)	–

Six months ended 30 June 2018 (unaudited)	**As reported**	**Effect of the adoption of HKFRS 15**	**Amounts without adoption of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss (extract)			
Revenue	25,245	(8,236)	17,009
Cost of sales	16,960	(8,236)	8,724

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5 Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying HKFRS 15 on the Group's interim financial statements are disclosed in note 3.

In the following table, revenue is disaggregated by timing of revenue recognition.

Timing of revenue recognition

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Products transferred at a point in time	**940**	2,323
Products and services transferred over time	**24,305**	104,052
Total	**25,245**	106,375

5 Revenue *(continued)*

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	As at 30 June 2018 ***HK'000*** **(unaudited)**	As at 31 December 2017 *HK'000* (restated)
Contract assets	**1,062**	9,186
Contract liabilities	**3,899**	16,846

The contract assets primarily relate to the Group's rights to consideration for work completed but not received from customers at the reporting date. The contract liabilities primarily relate to the advance proceeds received from customers for property development activities, for which revenue is recognised over time.

6 Segmental information

The Group is organised into five business units – property rental, film distribution and licensing, film processing, property and hotel development and centralised heat supply. These business units are the basis on which the Group reports its segment information. Segmental information about the revenue and the results of these business units is presented below.

For the six months ended 30 June 2018 (unaudited)

	Property rental ***HK$'000***	**Film distribution and licensing** ***HK$'000***	**Film processing** ***HK$'000***	**Property and hotel development** ***HK$'000***	**Centralised heat supply** ***HK$'000***	**Total** ***HK$'000***
Segment revenue:						
External revenue	**10,167**	**482**	**458**	**14,138**	**–**	**25,245**
Segment results	**4,533**	**(2,081)**	**(610)**	**(5,351)**	**759**	**(2,750)**
Unallocated corporate expenses						**(40,133)**
Finance income						**345**
Finance costs						**(19,495)**
Loss before income tax						**(62,033)**
Income tax expense						**(1,512)**
Loss for the period						**(63,545)**

6 Segmental information *(continued)*

For the six months ended 30 June 2017 (unaudited) (restated)

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Total *HK$'000*
Segment revenue:						
External revenue	9,552	1,292	1,031	94,500	–	106,375
Segment results	4,827	(1,079)	(138)	(86,311)	(106,039)	(188,740)
Unallocated corporate expenses						(11,122)
Finance income						56
Finance costs						(22,980)
Loss before income tax						(222,786)
Income tax credit						1,970
Loss for the period						(220,816)

6 Segmental information *(continued)*

The following table presents segment assets of the Group's reportable segments as at 30 June 2018 and 31 December 2017:

As at 30 June 2018 (unaudited)

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Total *HK$'000*
Segment assets	**282,900**	**155**	**1,155**	**1,373,689**	**–**	**1,657,899**
Unallocated corporate assets						**251,170**
Investments in associates	**224,613**	**–**	**–**	**–**	**646,278**	**870,891**
Total assets						**2,779,960**

As at 31 December 2017 (restated)

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Total *HK$'000*
Segment assets	285,459	111	1,335	1,202,994	–	1,489,899
Unallocated corporate assets						293,459
Investments in associates	–	–	–	–	645,540	645,540
Total assets						2,428,898

7 Finance costs – net

An analysis of finance costs and income is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**16,624**	19,261
Interest on convertible notes	**7,991**	8,383
Interest on other borrowings	**17,429**	16,181
Foreign exchange difference, net	**–**	421
	42,044	44,246
Less: amounts capitalised on qualifying assets	**(22,549)**	(21,266)
Total finance costs	**19,495**	22,980
Finance income:		
Interest income on short-term bank deposits	**(36)**	(56)
Foreign exchange difference, net	**(309)**	–
Total finance income	**(345)**	(56)
Finance costs – net	**19,150**	22,924

8 Operating loss

The Group's operating loss has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Auditors' remuneration	**1,050**	926
Inventories recognised as cost*	**30**	22
Properties held for sale recognised as cost*	**14,138**	94,500
Reversal of provision for impairment of trade receivables	**–**	(40)
Operating lease rentals in respect of buildings	**2,062**	1,802
Depreciation	**1,252**	1,365
Professional fees	**5,757**	2,231
Loss on disposal of property, plant and equipment	**–**	51

* Inventories recognised as cost and properties held for sale recognised as cost for the period are included in "cost of sales" on the face of the condensed consolidated income statement.

9 Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The applicable tax rate for the Group's operation in the Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Current tax	**992**	1,015
Deferred tax	**520**	(2,985)
Total tax expense/(credit) for the period	**1,512**	(1,970)

10 Dividends

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11 Loss per share

(a) Basic

The calculation of basic loss per share amount is based on the loss for the period of approximately HK$63,545,000 (2017: HK$220,816,000 (restated)) attributable to owners of the Company, and the weighted average number of approximately 2,993,109,000 (2017: 2,471,163,000) ordinary shares in issue during the period.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2017: two) categories of dilutive potential ordinary shares, share options and convertible notes (2017: same). For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have issued assuming the exercise of the share options. For the convertible notes, it is assumed to be converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect.

In calculating the diluted loss per share for the six months ended 30 June 2018 and 2017, the potential ordinary shares arising from the assumed conversion of the share options and convertible notes (2017: same) has no dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

12 Investments in associates

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (restated)
Unlisted investments:		
Share of net assets/(liabilities)	**224,913**	(436)
Goodwill	**1,040,373**	1,040,373
Loan to an associate	**1,141**	1,139
Accumulated impairment loss	**(395,536)**	(395,536)
	870,891	645,540

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as quasi-equity investment in an associate.

13 Trade and rental receivables

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

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (restated)
0 – 90 days	**115**	2,699

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed regularly.

14 Trade payables

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

	As at 30 June 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (restated)
0 – 90 days	**33,193**	44,572
91 – 180 days	**–**	80
181 – 365 days	**79**	125
Over 1 year	**2,210**	806
	35,482	45,583

15 Borrowings

	Maturity	**As at 30 June 2018** ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (restated)
Current			
Bank loan – secured *(note i)*	On demand	**293**	406
Bank loan – secured *(note ii)*	2016-2021	**38,931**	33,610
Entrusted bank loan – secured *(note iii)*	2017-2020	**41,377**	29,972
Bank overdraft – secured *(note iv)*	On demand	**2,522**	2,468
Loans from a former shareholder – unsecured *(note v)*	October and November 2018	**15,828**	15,828
Loan from a shareholder – unsecured *(note vi)*	March 2018	**–**	1,863
Other loan – unsecured *(note vii)*	On demand	**72,030**	66,371
Other loan – secured *(note viii)*	January 2018	**–**	156,160
Other loan – unsecured *(note x)*	March 2019	**112,952**	–
		283,933	306,678
Non-current			
Bank loan – secured *(note ii)*	2016-2021	**127,552**	152,668
Entrusted bank loan – secured *(note iii)*	2017-2020	**177,325**	203,812
Loan from a related party – unsecured *(note ix)*	February 2020	**80,077**	–
Other loan – secured *(note xi)*	January 2021	**326,865**	–
		995,752	663,158

15 Borrowings *(continued)*

(i) At 30 June 2018, the Group's bank borrowing of HK$293,000 (2017: HK$406,000) was secured by the leasehold land and buildings with a net carrying amount of HK$631,000 (2017: HK$645,000) and was interest-bearing at prime rate minus 1.5% per annum (2017: same).

(ii) At 30 June 2018, the Group's bank borrowing of HK$166,483,000 (2017: HK$186,278,000) was secured by the Group's land use right and construction in progress with a net carrying amount of HK$72,124,000 (2017: HK$77,273,000) and HK$334,017,000 (2017: HK$136,638,000) respectively. According to the repayment terms, the bank borrowing will be repayable from 2016 to 2021. The bank borrowing was interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years granted by financial institutions (2017: same).

(iii) At 30 June 2018, the Group's entrusted bank borrowing of HK$218,702,000 (2017: HK$233,784,000) was secured by the Group's properties under development with a net carrying amount of HK$469,596,000 (2017: HK$476,240,000). According to the repayment terms, the entrusted bank borrowing will be repayable from 2017 to 2020. The entrusted bank borrowing was interest-bearing at 9% per annum.

(iv) At 30 June 2018, the Group's bank overdraft of HK$2,522,000 (2017: HK$2,468,000) was secured by the leasehold land and buildings with a net carrying amount of HK$631,000 (2017: HK$645,000) and carried floating-rate interest based on the Prime Rate minus 1% per annum.

(v) At 30 June 2018, the Group's loans from a former shareholder were unsecured and non-interest bearing. During and subsequent to the reporting period, the maturity dates of the loans were extended from April and May 2018 to July and August 2018 and October and November 2018 respectively.

(vi) At 31 December 2017, the Group's loan from a shareholder was unsecured and non-interest bearing. It was repaid in February 2018.

(vii) At 30 June 2018, the Group's other loan was interest-free, unsecured and repayable on demand.

(viii) At 31 December 2017, the Group's other borrowing of HK$156,160,000 was interest-bearing at 20% per annum. The borrowing was repaid in January 2018.

15 Borrowings *(continued)*

(ix) At 30 June 2018, the Group's loan from a related party was unsecured, interest-free and mature in February 2020.

(x) At 30 June 2018, other loan was unsecured, interest bearing at 10% per annum and mature in March 2019.

(xi) At 30 June 2018, other loan was secured, interest bearing at 8% per annum and mature in January 2021.

16 Convertible notes

On 30 March 2016, the Company issued convertible notes carrying at zero coupon rate of an aggregate principal amount of HK$822,000,000. The notes are convertible at the option of the noteholders into fully paid ordinary shares with a par value of HK$0.01 each at any time from the date of the issue of the notes up to and including 30 September 2019 at an initial conversion price of HK$0.80 (subject to anti-dilutive adjustments). Any convertible notes not converted would be redeemed on 30 September 2019 at face value of the principal amount.

(a) The convertible notes recognised at initial recognition on 30 March 2016 are calculated as follows:

	HK$'000
Fair value of convertible notes issued	973,202
Equity component	(435,900)
Liability component	537,302

16 Convertible notes *(continued)*

(b) Movements of the liability component of the convertible notes during the period/year are as follows:

	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(restated)
At 1 January	**134,911**	136,828
Redemption	**(44,982)**	(18,250)
Interest expense	**7,991**	16,333
At 30 June/31 December	**97,920**	134,911

On 31 May 2018, as a result of the non-fulfillment of the profit guarantee given by the vendor pursuant to a sale and purchase agreement, certain convertible notes held in escrow on behalf of the vendor were used to settle the Amount in Difference in this respect. Accordingly, convertible notes with principal amount of HK$52,892,000 were cancelled and accounted for as an early redemption.

For six months ended 30 June 2018, interest expense on the liability component of the convertible notes is calculated using the effective interest method, applying the effective interest rate of 12.9% per annum to the liability component.

17 Issued share capital

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(restated)
Authorised:		
100,000,000,000 (2017: 100,000,000,000) ordinary shares of HK$0.01 (2017: HK$0.01) each	**1,000,000**	1,000,000
Issued and fully paid:		
3,088,952,629 (2017: 2,965,394,504) ordinary shares of HK$0.01 (2017: HK$0.01) each	**30,890**	29,654

17 Issued share capital *(continued)*

A summary of the transactions during the current and prior periods with reference to the movements in the Company's issued ordinary share capital is as follows:

	Number of shares	Amount *HK$'000*
Issued and fully paid:		
At 31 December 2017 and 1 January 2018	2,965,394,504	29,654
Issue of shares *(note)*	123,558,125	1,236
At 30 June 2018 (unaudited)	3,088,952,629	30,890

Note:

During the period ended 30 June 2018, certain of the share option holders exercise their share options to subscribe for an aggregate of 123,558,125 ordinary shares of HK$0.01 each at the exercise price of HK$0.362 and HK$0.292 per share respectively.

18 Share-based payment

Share options are granted to directors, employees and certain eligible persons. The options are exercisable in ten years starting from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the outstanding options were exercisable as at 30 June 2018. The fair value of options granted for the period ended 30 June 2018 was determined using the binomial valuation model. The significant inputs into the model were stated as follows:

Grant date	**23 January 2018**	**29 March 2018**
Exercise price	0.362	0.292
Number of options granted		
– directors	24,711,625	–
– employees and eligible persons	74,134,875	49,423,250
Risk free rate	2.021%	1.902%
Expected dividend yield	Nil	Nil
Expected volatility	85.64%	85.32%
Post-vesting exit rate	3.36%	3.36%
Expected exercise multiple		
– directors	2.80x	–
– employees and eligible persons	2.20x	2.20x
Fair value per option		
– directors	0.211	N/A
– employees and eligible persons	0.176	0.148

19 Commitments

(a) Operating lease commitments

(i) As lessor

The Group leases its investment property under non-cancellable operating lease arrangements, with leases negotiated for terms ranging from 2 to 14 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

	As at 30 June 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (restated)
Within one year	**20,776**	20,152
Between two to five years	**79,058**	80,834
Over five years	**80,221**	98,849
	180,055	199,835

(ii) As lessee

The Group leases certain of its office properties and equipment under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

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

	As at 30 June 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (restated)
Within one year	**1,752**	4,120
Between two to five years	**4,535**	743
	6,287	4,863

19 Commitments *(continued)*

(b) Other commitments

At the end of the reporting period, the Group had commitments for the following expenditures in respect of:

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (restated)
Contracted but not provided for:		
Property and hotel development	**1,906,049**	2,069,169
Financial assets at FVTPL - GLC Fund	**4,950**	4,950
	1,910,999	2,074,119

20 Related party disclosures

(i) Related party transactions

During the six months ended 30 June 2018, Nanjing Jin Gao Real Estate Company Limited ("Nanjing Jin Gao") and Chengdu Zhongfa Yellow River Industry Company Limited ("Chengdu Zhongfa") entered into the loan agreement, pursuant to which, Nanjing Jin Gao has agreed to make an interest-free loan in the amount of RMB190 million (equivalent to HK$236.44 million) available to the Chengdu Zhongfa from 9 February 2018 for a term of 2 years. The loan is unsecured. Pursuant to the loan agreement, the loan will be used by Chengdu Zhongfa to fund its capital commitment to the partnership.

During the six months ended 30 June 2017, Keyne Holdings Limited, a shareholder of the Company, entered into loan agreements with the Company of HK$20,000,000, HK$5,000,000 and HK$2,000,000. Details of the terms and maturity date are disclosed in note 15 (vi) to the financial statements.

(ii) Compensation of key management personnel

The remunerations of the Directors during the six months ended 30 June 2018 were short-term benefits of HK$7,401,000, of which HK$5,224,000 represents share-based payment in the form of grant of share options to a director during the review period (2017: HK$2,837,000). It is determined by reference to market terms, individual responsibilities and performance.

21 Contingent Liabilities

According to Tax Circular 698 and Public Notice [2015] No. 7 ("Public Notice 7") of the State Administration of Taxation (the "SAT"), the Group's acquisition of 49% equity interest in Ever-Grand Development Limited ("Ever Grand") during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be re-characterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to PRC Enterprise Income tax ("EIT"). The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the tax authority within 30 days after the equity transfer agreement is concluded. In case the Group fails to fulfill its withholding obligation and the Sky-Linked International Limited (the "Vendor"), has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and Mr. Cheng Ngok Fai and Mr. Li Ruiguang (the "Guarantors"), the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer.

In addition, such arrangement was further formally executed through a deed of tax indemnify entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it probable that a claim will be made against the Group regarding the penalty mentioned above.

22 Event after the reporting period

On 13 July 2018, the Company completed a share placement by issuing 479,838,000 ordinary shares of HK$0.01 each at a placing price of HK$0.268 per placing share. The net proceeds from the placing are approximately HK$125,900,000.

23 Approval of the condensed consolidated financial statements

These condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2018, the Group continued to focus on (i) property and hotel development (the "Xiangtan Project") in Xiangtan, Hunan Province, (ii) property rentals (the "Chengdu Project") in Chengdu, Sichuan Province, (iii) film distribution and processing business, and (iv) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018, the Group recorded a turnover of approximately HK$25,245,000 (2017 (restated): HK$106,375,000). Loss attributable to the owners of the Company was approximately HK$63,545,000 (2017 (restated): HK$220,816,000).

For the six months ended 30 June 2018, property rental income was stable and contributed approximately HK$10,167,000 (2017 (restated): HK$9,552,000) to the total turnover while income from property development contributed approximately HK$14,138,000 (2017 (restated): HK$94,500,000) to the total revenue.

Loss attributable to owners of the Company was approximately HK$63,545,000 (2017 (restated): HK$220,816,000). Basic loss per share was approximately HK2.12 cents (2017 (restated): HK8.94 cents). The Board does not recommend dividend payout for the six months ended 30 June 2018 (2017 (restated): Nil). As at 30 June 2018, cash and cash equivalents were approximately HK$19,288,000 (31 December 2017 (restated): HK$7,645,000).

BUSINESS REVIEW

(i) Xiangtan Project

Situated in the Jiuhua Economic Zone of Xiangtan, Hunan, the Xiangtan Project encompasses a land area of 325,989 square meters for the development of a five-star hotel and low density residential units.

With the recent development and operation of the infrastructure works in the few years, for example, the Maglev train between the Changsha airport and the core areas of the Changsha city and operation of the Intercity Railway which run across the major cities in Hunan, that where the core cities, namely Changsha, Xiangtan and Zhuzhou, made into a convenient living circle to the surrounding areas.

BUSINESS REVIEW *(continued)*

(i) Xiangtan Project (continued)

During the period under review, the Group had speed up the interior decorating works of the proposed 5-star hotel. In alignment with the five-star positioning of the hotel, the Group has entered into a management contract with the world-renowned Swissotel at the end of 2017, whereby the hotel will be operated as one of the luxury hotel brands under AccorHotels Group. The hotel, which strives to provide travellers with world-class comfort, is expected to commence operation near the end of 2018 or in the first half of 2019.

During the six months ended 30 June 2018, upon the adoption of HKFRS 15 effective from 1 January 2018, the Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract.

Up to 30 June 2018, the Group had pre-sold gross saleable area of approximately 24,000 square meters of duplex villas and semi-detached villas, generating proceeds from pre-sold properties of approximately HK$162,685,000. With the financial effect of the adoption of HKFRS 15, certain revenues relating to the pre-sold units were recognised over time, to the current and previous financial reporting periods, of which the Group's inputs to the satisfactory of performance obligation incurred. During the period under review, the Group has also completed the construction of detached villa units and is currently carrying out greening, landscape design and road construction works. The Group had obtained the relevant pre-sale permit in July 2018 and commenced the pre-sale of the 27 detached villa houses with a gross area of approximately 15,000 square meters and will generate further cash flows from the pre-sale proceeds and further strengthen the financial position of the Group.

In the second half of 2018, the Group will speed up the construction of the remaining Phase 1 property development, comprising commence the construction of newly built new semi-detached villas and high rise apartments with a gross saleable area of approximately 194,000 square meters. Upon completion of the construction work in that area, the Group will spare no effort in taking the project forward into the Phase II expansion to cater for the property market boom in Xiangtan city.

(ii) Chengdu Project

For the six months ended 30 June 2018, the Group's five-storey shopping centre located in Jinniu District, Chengdu, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenues of approximately HK$10,167,000 from property rental, were similar to the total recorded for the six months ended 30 June 2017.

BUSINESS REVIEW *(continued)*

(iii) Film Distribution and Processing Business

For the six months ended 30 June 2018, film distribution and processing business recorded revenues of approximately HK$940,000, a decrease of approximately 59.5% compared to the first half of 2017. The loss before income tax widened from approximately HK$1,217,000 to approximately HK$2,691,000 in the same corresponding period of 2017 and 2018 respectively. With the downsizing of the film business, and the Group intends to put its focus on the property development business, and considered to adjust its non-core business out of the business portfolio.

(iv) Centralised Heat Supply Business

As of 30 June 2018, an independent valuation was carried out to determine the recoverable amount of 49% equity interests in Ever-Grand Development Limited ("Ever-Grand"), for the purpose of assessment of an indication of asset impairment in complying with HKAS 36. The recoverable amount was determined at approximately HK$658,000,000, which was approximately 23.7% to the Group's total assets of approximately HK$2,779,960,000. The management of Ever-Grand has adopted "Discounted cashflows method" under "Income approach" as the valuation methodology.

The major inputs used were: (i) the approved budgeted future cashflows of Ever-Grand for the financial periods from 2018 to 2022; (ii) pre-tax discount rate of 21.0%; and (iii) terminal growth rate of 3%.

For the six months ended 30 June 2018, as a result of the progress of the pipeline deployment plan and the actual steam usage by the customers, the Directors do not aware any indication of impairment of the related investment, and according to the independent valuation, the recoverable amount of approximately HK$658,000,000 exceeds the carrying amount of the investment of approximately HK$646,278,000. The Directors considered need not to recognise any impairment loss for such investment.

According to the consolidated financial statements of Ever-Grand and its subsidiaries (collectively the "Ever-Grand Group") for FY2017 received by the Company, the attributable net profit to the Company for FY2017 is approximately HK$1,008,000, which falls below the guaranteed amount (given by Sky-Linked International Limited ("Sky-Linked")) of HK$53,900,000 for FY2017. The shortfall is approximately HK$52,892,000 (the "Amount in Difference"). Pursuant to the sale and purchase agreement, in respect of the non-fulfillment of the profit guarantee for FY2017, the Company had on 31 May 2018 cancelled the same principal amount of convertible notes from those held in escrow for FY2017 and return to Sky-Linked the remaining convertible notes held in escrow for FY2017.

FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD

On 18 December 2017, the Company as borrower has entered into the facility agreement with China Huarong International Holdings Limited (中國華融國際控股有限公司) as lender, pursuant to which the lender has agreed to make available a loan facility of up to US$42 million (equivalent to approximately HK$328 million) to the Company. The facility has a term of 3 years from its first utilisation date and can be extended for a further 1 year pursuant to the terms of the Facility Agreement. The facility bears interest at 8% per annum. On 2 January 2018, the loan proceeds of US$42 million (equivalent to approximately HK$328 million) was deposited into the Company.

On 4 January 2018, the Company had fully repaid a loan notes of the principal of US$20 million (equivalent to approximately HK$156 million) together with the interest, with a borrower, Krystal Light Limited which the loan notes was due in January 2018.

On 8 February 2018, Shanghai Dongyuan Huixin Equity Investment Fund Management Company (上海東源匯信股權投資基金管理有限公司) as the General Partner and Shanghai Dongxing Investment Holding Development Company Limited (上海東興投資控股發展有限公司), Beijing Jinye Changfeng Industry Company Limited (北京金業長豐實業有限公司) and Chengdu Zhongfa Yellow River Industry Company Limited (成都中發黃河實業有限公司) ("Chengdu Zhongfa") collectively as the Limited Partners entered into the limited partnership agreement in relation to the capital contributions and management of the partnership. Nanjing Jin Gao Real Estate Company Limited (南京金高房地產開發有限公司) ("Nanjing Jin Gao") and Chengdu Zhongfa entered into the loan agreement, pursuant to which, Nanjing Jin Gao has agreed to make an interest-free loan in the amount of RMB190 million (equivalent to HK$236.44 million) available to the Chengdu Zhongfa from 9 February 2018 for a term of two years to fund its capital commitment to the partnership. The loan is unsecured.

On 12 March 2018, the Company as issuer has entered into the placing and subscription agreement with Donghai International Securities (Hong Kong) Limited (東海國際證券(香港)有限公司) as placing agent, Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) as subscriber, and Mr. Zhu Peter, Ms. Qian Ling Ling, Mr. Zhu Boheng, Mr. Zhang Li and Shanghai Jin Da Di Investment Company Limited (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the US$15 million 10% senior guaranteed unsecured notes due 2019 in favour of Donghai International Financial Holdings Company Limited (the "Notes"). The Company shall redeem the Notes on the first anniversary of the issue date of the Notes, which can be extended for a further 1 year pursuant to the terms of the placing and subscription agreement and the conditions to the Notes.

FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD *(continued)*

On 26 March 2018, Grimston Limited as vendor (the Company's wholly-owned subsidiary) entered into a sale and purchase agreement with Circle Prosper Limited as purchaser to dispose 100% equity interests in Prosper China Limited which beneficially holds the investment in the GLC Special Situations Fund L.P. (the "GLC Fund") at a consideration of HK$110,000,000. On 28 June 2018, the vendor and the purchaser had entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date to 30 September 2018.

On 26 March 2018, Elite State Developments Limited as vendor (the Company's wholly-owned subsidiary) entered into a sale and purchase agreement with Force Hasting Limited as purchaser to dispose 19% equity interest in Broad World Holdings Limited at a consideration of HK$65,000,000. On 28 June 2018, the vendor and the purchaser had entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date to 31 August 2018.

On 13 July 2018, the Company has completed the placing of an aggregate of 479,838,000 placing shares, representing approximately 13.45% of the issued share capital of the Company as enlarged by issue of the placing shares immediately after completion, have been placed to not less than six placees at the placing price of HK$0.268 per placing share. The net proceeds from the placing are approximately HK$125.9 million. It is intended that the net proceeds will be used for (i) as to approximately HK$70 million towards the property and hotel development project of the Group situated in Xiangtan, Hunan Province, the PRC; and (ii) as to the remaining balances of approximately HK$55.9 million for general working capital purpose and for potential investments opportunities in the future.

PROSPECTS

Coupled with the trade-war friction between China and the United States, which leads to the weaker yuan and many of the Chinese property developers squeezed by weaker yuan, rising cost of overseas debt. In these years, many Chinese developers turned to foreign markets to raise working capital when regulators introduced a slew of measures to limit borrowing at home. Now, the sharp depreciation of the yuan is threatening to derail that funding lifeline by making it far more costly to service debt denominated in US dollars.

Also, the commercial projects in the PRC faced a credit crunch because of Beijing's financial deleveraging campaign, and this has created an opportunity for foreign investors to take over distressed assets, or engage in asset restructuring,

Nonetheless, in the real estate commodity market, China's new home prices rose in June 2018 at the fastest pace in 20 months, even as the government stepped up controlling measures to fight price inflation. Among all of the PRC cities, new home prices fell in just four cities and remained flat in three: Beijing, Shanghai and Xiamen. While the growth, strongest since October 2016, defied the past two years of relentless government curbs, it also sparked fears of more controls to come. In the recent months, local governments and policy banks have scaled down cash compensation for the country's massive shanty town redevelopment programme, which is believed to have driven the property boom in Chinese lower-tier cities.

PROSPECTS *(continued)*

Price rises were accompanied by stronger sales: first-half property sales by value rose 13.2 per cent over the previous year and we expected those developers with funding difficulties would accelerate their new project sales to recover cash. Real estate is the driver of the Chinese economy. By some estimates, it accounts (directly and indirectly) for as much as 30 per cent of gross domestic product. Keeping housing prices buoyant and development robust is thus an overriding imperative for China.

Given that household lending now makes up 22 per cent of financial-institution assets, a reset in housing prices would also carry serious financial risks. Rather than run those risks, China is simply ramping up development. New starts and land purchases have grown strongly through the first five months of 2018. Investment in residential real estate is up 14 per cent and development loans are up 21 per cent. Far from reducing leverage, banks are jumping back into the speculative bubble: Mortgage growth is now at 20 per cent.

In the meantime, the Group will continue its pace to develop existing property development projects, also, will actively accelerating its pace of acquisitions, aiming to focus on the investment and development of tourism and commercial property and hotel projects. Moreover, the Group also plans to expand beyond China by seeking high-quality overseas assets for acquisitions, with a view to further enriching the Group's business portfolio and broadening our geographical footprint.

Looking ahead, the Group is still faced with many challenges. However, with the solid foundation built over the years, the Group remains positive on our future growth. The Group will remain prudent and focus on the development of high-potential businesses, meanwhile keeping a close watch on the performance and potential opportunities of other businesses, as well as actively exploring fresh concepts to strive for new development dimensions and profit growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's net current assets were approximately HK$346,616,000 (31 December 2017 (restated): HK$465,132,000), with current assets of approximately HK$1,056,736,000 (31 December 2017 (restated): HK$1,021,670,000) and current liabilities of approximately HK$710,120,000 (31 December 2017 (restated): HK$556,538,000), representing a current ratio of approximately 1.49 (31 December 2017 (restated): 1.84). As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$19,288,000 (31 December 2017 (restated): HK$7,645,000).

CAPITAL STRUCTURE

As at 30 June 2018, the Group's total equity amounted to approximately HK$1,192,971,000 (31 December 2017 (restated): HK$1,213,899,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 30 June 2018, the Group's outstanding borrowings and convertible notes were approximately HK$1,093,672,000 (31 December 2017 (restated): HK$798,069,000). The Group's bank borrowing of approximately HK$166,483,000 (31 December 2017 (restated): HK$186,278,000) was secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK$72,124,000 (31 December 2017 (restated): HK$77,273,000) and approximately HK$334,017,000 (31 December 2017 (restated): HK$136,638,000) respectively. The Group's entrusted bank borrowing of approximately HK$218,702,000 as at 30 June 2018 (31 December 2017 (restated): HK$233,784,000) was secured by the Group's properties development in progress with a net carrying amount of approximately HK$469,596,000 (31 December 2017 (restated): HK$476,240,000). The Group's current bank borrowing of approximately HK$293,000 (31 December 2017 (restated): HK$406,000) and bank overdraft of approximately HK$2,522,000 as at 30 June 2018 (31 December 2017 (restated): HK$2,468,000) were secured by the leasehold land and buildings, with a net carrying amount of approximately HK$631,000 (31 December 2017 (restated): HK$645,000). The Group's other loan of approximately HK$156,160,000 at 31 December 2017 was secured by the share charges over certain subsidiaries of the Group, inter-companies loans and a personal guarantee executed by Mr. Cheng Keung Fai ("Mr. Cheng"), a former shareholder of the Company. The Group's loans from a former shareholder of approximately of HK$15,828,000 (31 December 2017 (restated): HK$15,828,000), loans from a shareholder of approximately of HK$Nil (31 December 2017 (restated): HK$1,863,000) and other loans of approximately HK$72,030,000 (31 December 2017 (restated): HK$66,371,000) were unsecured. The Group's loan from a related party of approximately of HK$80,077,000 (31 December 2017 (restated): Nil) was unsecured. The Group's other loan of approximately of HK$112,952,000 (31 December 2017 (restated): Nil) was unsecured. The Group's other loan of approximately of HK$326,865,000 was secured by share charges given by Keyne Holdings Limited ("Keyne"), the controlling shareholder of the Company and certain related party of the Company, and equity pledges given by certain subsidiaries of the Company and certain related parties. The gearing ratio based on borrowings and convertible notes over total equity as at 30 June 2018 was approximately 0.917 (31 December 2017 (restated): 0.657).

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

CONTINGENT LIABILITIES

Save for those disclosed in note 21 to the financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the six months ended 30 June 2018 was approximately HK$23,913,000 (2017: HK$9,117,000), the significant increase of approximately 162%, was due to the equity-settled share-based payment, amounts to approximately HK$13,947,000 which represent the grant of share options to certain employees and a director during the period under review. The Group had a workforce of 65 (2017: 78). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (2017: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are 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 in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Li *(Note 1)*	Beneficial owner	16,275,625 (L)	0.53%(L)

Note: The letter "L" denotes the person's long position in such shares.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are 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 in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

At no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Share options

The Company adopted a share option scheme (the "Scheme") on 2 September 2013. The purpose of the Scheme is to attract and retain talented personnel for future development of the Group; to provide incentive to encourage Participants (as defined below) to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

The eligible participants of the Scheme (the "Eligible Participants") are (i) any employees or officer (whether full time or part time, and including any executive director) of any member of the Group; (ii) or any non-executive director (including independent non-executive director) of any member of the Group; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of any member of the Group; (v) any holder of any securities or securities convertible into any securities issued by any member of the Group; (vi) any person or entity that provides advisory, consultancy or professional services to any member of the Group or any director or employee of any such entity; and (vii) any other group or classes of participants from time to time determined by the Directors as having contributed to the development and growth of the Group.

Share options *(continued)*

Details of the share options granted under the Scheme to certain Eligible Participants of the Company to subscribe for the shares in the Company are as follows:

	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding as at 01.01.2018	Granted during the review period	Exercised during the review period	Cancelled/ Lapsed during the review period	Outstanding as at 30.06.2018	Approximate percentage of the issued share capital of the Company %
Director									
Mr. Zhang Li	23.01.2018	23.01.2018 to 22.01.2028	0.362	–	24,711,625 (2)	(24,711,625)	–	–	–
Employees and other eligible participants									
Employees	23.01.2018	23.01.2018 to 22.01.2028	0.362	–	74,134,875 (2)	(49,423,250)	–	24,711,625	0.8
Other eligible participants	29.03.2018	29.03.2018 to 28.03.2028	0.292	–	49,423,250 (3)	(49,423,250)	–	–	–
				–	148,269,750	(123,558,125)	–	24,711,625	0.8

Notes:

(1) As at 30 June 2018, the number of issued shares of the Company was 3,088,952,629 shares.

(2) The closing price of the Company's shares immediately before the date on which the share options were granted was HK$0.355.

(3) The closing price of the Company's shares immediately before the date on which the share options were granted was HK$0.290.

(4) The weighted average closing price of the Company's shares immediately before the dates on which the above share options were exercised is HK$0.333.

(5) The total number of the Company's share available for issue under the Scheme was 98,846,500 shares which represented approximately 3.2% of the issued share capital of the Company as at the date of this report.

Substantial shareholders' and other person's interests in the shares and underlying shares of the Company

As at 30 June 2018, the register of substantial shareholders and other person's maintained by the Company under Section 336 of the SFO showed that the following persons notified the Company of the relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of Shareholder/other person	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company
Zhu Boheng *(Note 1)*	Interest of controlled corporation	1,822,319,860 (L)	58.99%(L)
Keyne Holdings Limited *(Note 1)*	Beneficial owner	1,822,319,860 (L)	58.99%(L)
Cheng Ngok Fai *(Note 2)*	Interest of controlled corporation	347,646,250 (L)	11.25%(L)
Connected-World Group Limited *(Notes 2 & 4)*	Interest of controlled corporation	142,135,000 (L)	4.60%(L)
	Beneficial owner	205,511,250 (L)	6.65%(L)
Li Ruiguang *(Note 3)*	Interest of controlled corporation	411,747,000 (L)	13.33%(L)
	Beneficial owner	54,340,000 (L)	1.76%(L)
Eternal Galaxy Group Limited *(Notes 3 & 4)*	Interest of controlled corporation	238,875,000 (L)	7.73%(L)
	Beneficial owner	81,686,000 (L)	2.64% (L)
China Huarong International Holdings Limited *(Notes 5 & 6)*	Person having a security interest in shares	1,588,351,197 (L)	51.42%(L)
China Huarong Asset Management Company Limited *(Notes 5 & 6)*	Interest of controlled corporation	1,588,351,197 (L)	51.42%(L)

Long positions *(continued)*

Ordinary shares of HK$0.01 each of the Company (continued)

Notes:

1. The entire issued share capital of Keyne Holdings Limited is owned by Mr. Zhu Boheng.

2. The entire issued share capital of Connected-World Group Limited is owned by Mr. Cheng Ngok Fai.

3. The entire issued share capital of Eternal Galaxy Group Limited is owned by Mr. Li Ruiguang.

4. According to the latest form of disclosure of interest filed by Connected-World Group Limited dated 14 June 2018, the entire issued share capital of Sky-Linked International Limited is owned by Connected-World Group Limited. Sky-Linked International Limited is deemed to be interested in 142,135,000 shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the convertible note in the principal amount of HK$113,708,000 (the "Convertible Note") issued by the Company on 30 March 2016 (assuming full conversion of the Convertible Note).

   According to the latest form of disclosure of interest filed by Eternal Galaxy Group Limited dated 4 March 2017, 40% of the issued share capital of Sky-Linked International Limited is owned by Eternal Galaxy Group Limited. Sky-Linked International Limited is deemed to be interested in 238,875,000 shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Convertible Note (assuming full conversion of the Convertible Note).

5. Approximately 88.10% of the issued share capital of China Huarong International Holdings Limited is owned by Huarong Real Estate Company Limited, which is a wholly-owned subsidiary of China Huarong Asset Management Company Limited.

6. As disclosed in the form of disclosure of interest filed by Keyne Holdings Limited dated 29 June 2018, 1,588,351,197 shares of those shares held by it, representing approximately 51.42% of the issued share capital of the Company, have been pledged as security in favour of China Huarong International Holdings Limited for the obligation of the Company pursuant to the facility agreement, details of which are disclosed in the announcement dated 18 December 2017.

7. The letter "L" denotes the person's long position in such shares and the underlying shares.

Save as disclosed above, as at 30 June 2018, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Continuing obligation under Chapter 13 of the Listing Rules

1. As disclosed in the announcement made by the Company on 18 December 2017 (the "2017 Announcement"), the Company as borrower entered into the facility agreement (the "Facility Agreement") with China Huarong International Holdings Limited (中國華融國際控股有限公司) as lender (the "Lender"), pursuant to which the Lender agreed to make available a loan facility of up to US$42,000,000 (the "Commitment") to the Company. Pursuant to the Facility Agreement, if Keyne Holdings Limited ("Keyne"), being the substantial shareholder of the Company and the guarantor to the Facility Agreement, ceases to be the single largest shareholder of the Company or Ms. Qian Ling Ling, being the executive Director and Chairman of the Company and one of the guarantors to the Facility Agreement, ceases to be a Director: 1. The Company shall promptly notify the Lender upon becoming aware of the event; 2. The Lender shall not be obliged to fund a utilization; and 3. If the Lender so requires, the Lender shall, by notice to the Company, cancel the Commitment and declare all outstanding loans under the Facility Agreement, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the 2017 Announcement) immediately due and payable, whereupon the Commitment shall be cancelled and all such outstanding loans and amounts shall become immediately due and payable. The loan facility has a term of 3 years from its first utilization date and can be extended for a further 1 year pursuant to the terms of the Facility Agreement.

   According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, Keyne, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which Keyne has agreed to provide security to the Lender by way of first fixed charge as beneficial owner of 1,512,351,197 ordinary shares of the Company owned by it. As at 30 June 2018, 1,588,351,197 shares of those shares held by Keyne, representing approximately 51.42% of the issued share capital of the Company, have been pledged to the Lender.

Continuing obligation under Chapter 13 of the Listing Rules *(continued)*

2. As disclosed in the announcement made by the Company on 12 March 2018 (the "2018 Announcement"), the Company entered into the placing and subscription agreement (the "Placing and Subscription Agreement") with Donghai International Securities (Hong Kong) Limited (東海國際證券(香港)有限公司) as placing agent, Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("Donghai Financial") as subscriber, and Mr. Zhu Peter, Ms. Qian Ling Ling, Mr. Zhu Boheng ("Mr. Zhu"), Mr. Zhang Li and Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the notes (the "Notes") in the aggregate principal amount of US$15,000,000 in favour of Donghai Financial. The Company shall redeem the Notes on the first anniversary of the issue date of the Notes, which can be extended for a further 1 year pursuant to the terms of the Placing and Subscription Agreement and the conditions to the Notes (the "Note Conditions").

   Mr. Zhu owns 100% of the issued share capital of Keyne, which in turn holds approximately 58.99% of the total issued share capital of the Company as at 30 June 2018. As such, Mr. Zhu is the controlling shareholder of the Company pursuant to the Listing Rules.

   Pursuant to the Placing and Subscription Agreement and the conditions to the Notes, the Notes are, and they will become, immediately due and repayable, upon the occurrence of any of the following events, among others: 1. if Mr. Zhu ceases to be the largest shareholder of the Company, directly or indirectly holding not less than 51% of the issued share capital of the Company, at any time; 2. save as previously disclosed, if Mr. Zhu incurs, creates or permits to subsist or has outstanding any Financial Indebtedness (as defined in the 2018 Announcement) or enters into any agreement or arrangement whereby it is entitled to incur, create or permit to subsist any Financial Indebtedness (as defined in the 2018 Announcement) without Donghai Financial's prior written consent; 3. if Mr. Zhu enters into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any of his material assets or material part of his business without Donghai Financial's prior written consent; 4. save as previously disclosed, if Mr. Zhu creates or permits to subsist any Security Interest (as defined in the 2018 Announcement) over any shares in the Company he legally and/or beneficially holds; or 5. if Mr. Zhu sells, transfers or otherwise disposes of any shares in the Company he legally and/or beneficially holds on terms where it is or may be leased to or re-acquired or acquired by him or any of his related entities, or enters into any other preferential arrangement having a similar effect.

Purchase, redemption and sale of listed securities

During the period, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries purchased, or sold any of the Company's listed securities.

Corporate governance

The Company has complied with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the period under review.

Model Code for directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code during the six months ended 30 June 2018.

Sufficiency of public float

The Company has maintained a sufficient public float up to the date of this report.

Audit Committee

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting policies and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

List of Directors

As at the date of this report, the Board comprises six Directors. The executive Directors are Ms. Qian Ling Ling (Chairman), Mr. Zhang Li (Chief Executive Officer) and Mr. Xiang Junjie; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny.

Acknowledgement

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

By Order of the Board
Zhang Li
Executive Director and Chief Executive Officer

Hong Kong, 29 August 2018