



九號運通有限公司  
Nine Express Limited

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

INTERIM REPORT 2019

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## 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

Grant Thornton Hong Kong Limited  
Level 12, 28 Hennessy Road  
Wanchai  
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  
4th Floor North Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited  
Level 54  
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](http://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 2019 with the comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>Revenue</b>	5	<b>26,744</b>	17,040
Cost of sales		<b>(19,206)</b>	(8,755)
<b>Gross profit</b>		<b>7,538</b>	8,285
Other income		<b>1,400</b>	52
Gain on disposal of subsidiaries		<b>6,084</b>	–
Gain on disposal of property, plant and equipment		<b>13,839</b>	–
Impairment loss on investment in an associate		<b>(36,148)</b>	–
Properties under development written down		<b>(2,344)</b>	–
Loss on early redemption of convertible notes		<b>(474)</b>	(363)
Share-based payments		–	(25,633)
Administrative expenses		<b>(22,762)</b>	(25,719)
Selling and marketing expenses		<b>(1,440)</b>	(302)



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>Operating loss</b>	8	<b>(34,307)</b>	(43,680)
Finance income	7	408	345
Finance costs	7	<b>(29,566)</b>	(19,495)
Finance costs – net	7	<b>(29,158)</b>	(19,150)
Share of profits of associates		<b>1,519</b>	767
<b>Loss before income tax</b>		<b>(61,946)</b>	(62,063)
Income tax expense	9	<b>(684)</b>	(1,512)
<b>Loss for the period attributable to owners of the Company</b>		<b>(62,630)</b>	(63,575)
<b>Loss per share</b>	11		
Basic		<b>HK(1.75) cents</b>	HK(2.12) cents
Diluted		<b>HK(1.75) cents</b>	HK(2.12) cents

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

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

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>Loss for the period attributable to owners of the Company</b>	<b>(62,630)</b>	(63,575)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	7,438	(16,707)
Share of other comprehensive income of associates accounted for using the equity method	(31)	(31)
<b>Other comprehensive income for the period, net of tax</b>	<b>7,407</b>	(16,738)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>(55,223)</b>	(80,313)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		<b>30 June 2019</b>	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>386,584</b>	373,515
Right-of-use assets		<b>13,605</b>	–
Land use rights		<b>61,516</b>	65,542
Investment properties		<b>258,333</b>	258,774
Investments in associates	12	<b>603,657</b>	638,317
Prepayments and other receivables		<b>10,638</b>	1,445
Film rights		–	102
<b>Total non-current assets</b>		<b>1,334,333</b>	1,337,695
<b>Current assets</b>			
Properties for sale or under development		<b>1,511,918</b>	904,459
Inventories		–	3
Trade and rental receivables	13	<b>9,759</b>	10,185
Deposits for land acquisition		–	115,404
Prepayments and other receivables		<b>34,370</b>	35,259
Other financial assets		–	110,000
Financial assets at fair value through profit or loss		–	110,136
Restricted bank deposits		<b>10,694</b>	8,563
Cash and cash equivalents		<b>2,834</b>	5,847
<b>Total current assets</b>		<b>1,569,575</b>	1,299,856

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	14	14,895	31,266
Other payables, accruals and deposits received		266,160	271,095
Lease liabilities		5,411	–
Contract liabilities		97,246	102,626
Amount due to an associate		151	151
Borrowings	15	456,372	477,968
Convertible notes	16	3,726	104,051
Tax payables		1,714	2,608
<b>Total current liabilities</b>		<b>845,675</b>	<b>989,765</b>
<b>Net current assets</b>		<b>723,900</b>	<b>310,091</b>
<b>Total assets less current liabilities</b>		<b>2,058,233</b>	<b>1,647,786</b>
<b>Non-current liabilities</b>			
Lease liabilities		8,380	–
Deposits received		2,535	2,562
Borrowings	15	944,868	483,732
Deferred tax liabilities		156,615	156,537
<b>Total non-current liabilities</b>		<b>1,112,398</b>	<b>642,831</b>
<b>Net assets</b>		<b>945,835</b>	<b>1,004,955</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued share capital	17	35,688	35,688
Reserves		910,147	969,267
<b>Total equity</b>		<b>945,835</b>	<b>1,004,955</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Issued share capital HK\$'000	Share premium HK\$'000	Contributed surplus <sup>1</sup> HK\$'000	Equity component of the convertible notes HK\$'000	Exchange reserve HK\$'000	Special reserve <sup>2</sup> HK\$'000	Share options reserve HK\$'000	Fair value reserve HK\$000	Other reserve HK\$000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2018, as previously 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
Balance at 1 January 2018, as restated	29,654	1,991,744	459,047	95,541	9,389	17,926	-	2,328	22	(1,391,752)	1,213,899
Loss for the period	-	-	-	-	-	-	-	-	-	(63,575)	(63,575)
Other comprehensive income	-	-	-	-	(16,707)	-	-	-	(31)	-	(16,738)
<b>Total comprehensive income for the period</b>	-	-	-	-	(16,707)	-	-	-	(31)	(63,575)	(80,313)
Early redemption of convertible notes	-	-	-	(7,547)	-	-	-	-	-	-	(7,547)
Issue of shares upon exercise of share options	1,236	61,305	-	-	-	-	(21,271)	-	-	-	41,270
Share-based payments	-	-	-	-	-	-	25,633	-	-	-	25,633
<b>Change in equity for the period</b>	1,236	61,305	-	(7,547)	(16,707)	-	4,362	-	(31)	(63,575)	(20,957)
Balance at 30 June 2018 (unaudited and restated)	30,890	2,053,049	459,047	87,994	(7,318)	17,926	4,362	2,328	(9)	(1,455,327)	1,192,942
Balance at 1 January 2019	35,688	2,174,200	459,047	87,994	(30,704)	17,926	4,362	-	(79)	(1,743,479)	1,004,955
Loss for the period	-	-	-	-	-	-	-	-	-	(62,630)	(62,630)
Other comprehensive income	-	-	-	-	7,438	-	-	-	(31)	-	7,407
<b>Total comprehensive income for the period</b>	-	-	-	-	7,438	-	-	-	(31)	(62,630)	(55,223)
Early redemption of convertible notes (note 16(c))	-	-	-	(3,897)	-	-	-	-	-	-	(3,897)
<b>Change in equity for the period</b>	-	-	-	(3,897)	7,438	-	-	-	(31)	(62,630)	(59,120)
Balance at 30 June 2019 (unaudited)	35,688	2,174,200	459,047	84,097	(23,266)	17,926	4,362	-	(110)	(1,806,109)	945,835

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(continued)*

*For the six months ended 30 June 2019*

- <sup>1</sup> Contributed surplus of the Group arose from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.
- <sup>2</sup> 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 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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Net cash (used in)/from operating activities</b>	<b>(581,498)</b>	24,539
<b>Cash flows from investing activities</b>		
Proceeds from disposal of subsidiaries	2,800	–
Purchase of property, plant and equipment	(8,516)	(160,318)
Proceeds from disposal of property, plant and equipment	14,819	–
Loan to an associate	–	(2)
Capital contribution to an associate	–	(224,613)
Proceeds from disposal of other financial assets	99,800	28,726
(Increase)/Decrease in restricted bank deposits	(2,173)	1,546
Interest received	22	36
<b>Net cash from/(used in) investing activities</b>	<b>106,752</b>	<b>(354,625)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	746,216	703,515
Repayment of borrowings	(285,595)	(372,400)
Payment of lease liabilities	(2,488)	–
Proceeds from exercise of share options	–	41,270
Interest paid on borrowings and commitment fees	(24,215)	(9,805)
<b>Net cash from financing activities</b>	<b>433,918</b>	<b>362,580</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(40,828)</b>	32,494
Cash and cash equivalents at beginning of the period	2,862	5,176
Effect of foreign exchange rate changes, net	40,800	(20,904)
<b>Cash and cash equivalents at end of the period</b>	<b>2,834</b>	<b>16,766</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	2,834	19,288
Bank overdraft – secured	–	(2,522)
	<b>2,834</b>	<b>16,766</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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.

### 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Group had adopted HKFRS 15 “Revenue from Contracts with Customers and the related Amendments” during the year ended 31 December 2018, and assessed that the new revenue standard does not have significant impact on how the Group recognises its revenue during the year. Under HKFRS 15, revenue from sale of properties is recognised at a point in time when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable. Accordingly, the comparative information for the six months ended 30 June 2018 has been restated.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 3 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

The HKICPA has issued a new Hong Kong Financial Reporting Standard (“HKFRS”), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this condensed consolidated interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### ***HKFRS 16 “Leases” (“HKFRS 16”)***

HKFRS 16 replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC) 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) 15 “Operating Leases – Incentives” and HK(SIC) 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised as an adjustment to the opening balance of equity for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17.

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 6.7%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 3 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **HKFRS 16 “Leases” (“HKFRS 16”) *(continued)***

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 31 December 2018	6,238
Recognition exemptions:	
Leases with remaining lease term of less than 12 months	(819)
Operating lease liabilities before discounting	5,419
Discounting using incremental borrowing rate as at 1 January 2019	(704)
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	<u>4,715</u>
Classified as:	
Current lease liabilities	1,624
Non-current lease liabilities	3,091
	<u>4,715</u>

The following table summarises the impact of transition to HKFRS 16 on the Group’s condensed consolidated statement of financial position at 1 January 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets (non-current assets)	4,715
Increase in lease liabilities (non-current liabilities)	3,091
Increase in lease liabilities (current liabilities)	<u>1,624</u>

The right-of-use assets and lease liabilities recognised at 1 January 2019 represent the Group’s lease of an office property with an initial period of three years.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 3 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **HKFRS 16 “Leases” (“HKFRS 16”)** *(continued)*

##### *(a) The Group as a lessee*

*Applicable from 1 January 2019*

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of office properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 3 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **HKFRS 16 “Leases” (“HKFRS 16”) *(continued)***

##### *(a) The Group as a lessee (continued)*

*Applicable from 1 January 2019 (continued)*

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term.





NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

**3 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**HKFRS 16 “Leases” (“HKFRS 16”)** *(continued)*

*(a) The Group as a lessee (continued)*

*Applicable from 1 January 2019 (continued)*

*Measurement and recognition of leases as a lessee (continued)*

On the condensed consolidated statement of financial position, right-of-use assets have been presented separately under non-current assets.

*Applicable before 1 January 2019*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments or land use rights are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

*(b) The Group as a lessor*

The Group’s accounting policy as a lessor remain substantially unchanged from those under HKAS 17.

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 4 ESTIMATES

When preparing the condensed consolidated interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expense. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's annual financial statements for the year ended 31 December 2018. The only exceptions are the estimate of income tax liabilities which is determined in the condensed consolidated interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

### 5 REVENUE

The Group's operations and main revenue streams are those described in the annual financial statements for the year ended 31 December 2018.

Revenue is disaggregated in the following table.

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Revenue from contracts with customers</b>		
Sales of properties	<b>17,332</b>	5,933
Film distribution and licensing income	<b>1,029</b>	482
Film processing income	<b>477</b>	458
	<b>18,838</b>	6,873
<b>Revenue from other sources</b>		
Property rental income	<b>7,906</b>	10,167
	<b>26,744</b>	17,040



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 5 REVENUE *(continued)*

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

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Contract assets	–	–
Contract liabilities	<b>97,246</b>	102,626

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue.

### 6 SEGMENT 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. Segment information about the revenue and the results of these business units is presented below.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 6 SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2019 (unaudited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
External revenue from contracts with customers by timing of revenue recognition - Point in time	-	1,029	477	17,332	-	18,838
External revenue from other sources	7,906	-	-	-	-	7,906
Total revenue	7,906	1,029	477	17,332	-	26,744
Segment results	2,798	4,031	13,611	(8,664)	(34,636)	(22,860)
Unallocated corporate expenses						(9,928)
Finance income						408
Finance costs						(29,566)
Loss before income tax						(61,946)
Income tax expense						(684)
Loss for the period						(62,630)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 6 SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2018 (unaudited and restated)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
External revenue from contracts with customers by timing of revenue recognition – Point in time	–	482	458	5,933	–	6,873
External revenue from other sources	10,167	–	–	–	–	10,167
Total revenue	10,167	482	458	5,933	–	17,040
Segment results	4,533	(2,081)	(610)	(5,381)	759	(2,780)
Unallocated corporate expenses						(40,133)
Finance income						345
Finance costs						(19,495)
Loss before income tax						(62,063)
Income tax expense						(1,512)
Loss for the period						(63,575)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 6 SEGMENT INFORMATION *(continued)*

The following table presents segment assets of the Group's reportable segments as at 30 June 2019 and 31 December 2018:

#### As at 30 June 2019 (unaudited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	273,125	-	-	1,999,428	-	2,272,553
Unallocated corporate assets						27,698
Investments in associates	216,327	-	-	-	387,330	603,657
Total assets						2,903,908

#### As at 31 December 2018 (audited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	270,032	128	1,008	1,487,051	-	1,758,219
Unallocated corporate assets						241,015
Investments in associates	216,327	-	-	-	421,990	638,317
Total assets						2,637,551

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 7 FINANCE COSTS – NET

An analysis of finance costs and income is as follows:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Finance costs:		
Interest on bank borrowings wholly repayable within five years	<b>13,951</b>	16,624
Interest on other borrowings	<b>35,635</b>	17,429
Interest on convertible notes	<b>5,440</b>	7,991
Interest on lease liabilities	<b>429</b>	–
	<b>55,455</b>	42,044
Less: amounts capitalised on qualifying assets	<b>(25,889)</b>	(22,549)
Total finance costs	<b>29,566</b>	19,495
Finance income:		
Interest income on short-term bank deposits	<b>(22)</b>	(36)
Foreign exchange difference, net	<b>(386)</b>	(309)
Total finance income	<b>(408)</b>	(345)
Finance costs – net	<b>29,158</b>	19,150

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 8 OPERATING LOSS

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited) (restated)
Auditor's remuneration	<b>815</b>	1,050
Cost of inventories recognised as expenses*	<b>70</b>	30
Cost of properties sold*	<b>17,332</b>	5,933
Reversal of provision for impairment of trade receivables	<b>(150)</b>	–
Lease charges – buildings held under operating leases	<b>–</b>	2,062
Lease charges – short-term leases with lease term shorter than 12 months	<b>524</b>	–
Depreciation – owned assets	<b>657</b>	1,252
Depreciation – right-of-use assets	<b>2,264</b>	–
Professional fees	<b>1,969</b>	5,757

\* The cost of inventories recognised as expenses and cost of properties sold for the period are included in “cost of sales” on the condensed consolidated statement of profit and loss.

### 9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Current tax	<b>333</b>	992
Deferred tax	<b>351</b>	520
Total tax expense	<b>684</b>	1,512





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### **10 DIVIDENDS**

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

### **11 LOSS PER SHARE**

#### *(a) Basic*

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company of approximately HK\$62,630,000 (2018 (restated): HK\$63,575,000) by the weighted average number of approximately 3,568,791,000 (2018: 2,993,109,000) 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 (2018: two) categories of dilutive potential ordinary shares, share options and convertible notes (2018: 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 2019 and 2018, the potential ordinary shares arising from the assumed conversion of the share options and convertible notes (2018: same) has no dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 12 INVESTMENTS IN ASSOCIATES

	<b>30 June 2019</b>	31 December 2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<hr/>		
Unlisted investments:		
Share of net assets	<b>219,841</b>	218,353
Goodwill	<b>1,040,373</b>	1,040,373
Loan to an associate	<b>1,150</b>	1,150
Accumulated impairment loss	<b>(657,707)</b>	(621,559)
	<hr/> <b>603,657</b>	<hr/> 638,317

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 investments in associates.

### 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 allowance, is as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<hr/>		
0 – 90 days	–	80

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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

**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:

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
0 – 90 days	11,247	29,590
91 – 180 days	1,775	5
181 – 365 days	76	974
Over 1 year	1,797	697
	<b>14,895</b>	<b>31,266</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 15 BORROWINGS

	Maturity	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
<b>Current</b>			
Bank borrowings – secured ( <i>note i</i> )	On demand	–	178
Bank borrowings – secured ( <i>note ii</i> )	April 2021	49,346	43,396
Entrusted bank borrowings – secured ( <i>note iii</i> )	July 2020	130,711	74,007
Other borrowings – secured ( <i>note iv</i> )	January 2021	32,810	32,903
Bank borrowings – secured ( <i>note v</i> )	September 2019	171	171
Bank overdraft – secured ( <i>note vi</i> )	On demand	–	2,985
Borrowings from a related party/a former shareholder – unsecured ( <i>note vii</i> )	August 2019	13,500	13,500
Other borrowings – unsecured ( <i>note viii</i> )	On demand	13,130	52,494
Other borrowings – unsecured ( <i>note ix</i> )	On demand	–	490
Other borrowings – unsecured ( <i>note x</i> )	November and December 2019	147,938	257,844
Other borrowings – secured ( <i>note xi</i> )	May and June 2022	64,788	–
Other borrowings – unsecured ( <i>note xii</i> )	September 2019	3,978	–
		<b>456,372</b>	477,968
<b>Non-current</b>			
Bank borrowings – secured ( <i>note ii</i> )	April 2021	73,155	100,961
Entrusted bank borrowings – secured ( <i>note iii</i> )	July 2020	39,782	119,549
Other borrowings – secured ( <i>note iv</i> )	January 2021	262,484	263,222
Other borrowings – secured ( <i>note xi</i> )	May and June 2022	569,447	–
		<b>944,868</b>	483,732
		<b>1,401,240</b>	961,700



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 15 BORROWINGS *(continued)*

Notes:

- (i) At 30 June 2019, the Group's bank borrowings were fully repaid and the security was released accordingly. At 31 December 2018, the Group's bank borrowings of HK\$178,000 were secured by the leasehold land and buildings with a net carrying amount of HK\$618,000 and were interest-bearing at prime rate minus 1.5% per annum.
- (ii) At 30 June 2019, the Group's bank borrowings of HK\$122,501,000 (2018: HK\$144,357,000) were secured by the Group's land use right and construction in progress with a net carrying amount of HK\$61,516,000 (2018: HK\$65,542,000) and HK\$384,578,000 (2018: HK\$369,893,000) respectively. According to the repayment terms, the bank borrowings will be repayable by instalments from 2016 to 2021. The bank borrowings were 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 (2018: same).
- (iii) At 30 June 2019, the Group's entrusted bank borrowings of HK\$170,493,000 (2018: HK\$193,556,000) were secured by the Group's properties under development with a net carrying amount of HK\$451,502,000 (2018: HK\$452,273,000). According to the repayment terms, the entrusted bank borrowings will be repayable by instalments from 2017 to 2020. The entrusted bank borrowings were interest-bearing at 9% per annum (2018: same).
- (iv) At 30 June 2019, the Group's other borrowings of HK\$295,294,000 (2018: HK\$296,125,000) were interest bearing at 8% per annum (2018: same) and will be repayable by instalments from 2018 to 2021. The other borrowings were secured and guaranteed by:
  - (a) equity interests in three subsidiaries of the Group including Brilliant Field Corporation Limited and Profit Source International Limited;
  - (b) first fixed charge over 2,010,501,197 shares (2018: 1,512,351,197 shares) of the Company owned by Keyne Holdings Limited, the substantial shareholder of the Company. The controlling shareholder of this company is Mr. Zhu Boheng;
  - (c) a fixed charge over a bank account with zero amount (2018: same) as at 30 June 2019;
  - (d) corporate guarantees executed by three related companies, Ever Harmony Enterprises Limited, Yangzhou Ya Tai Zhi Ye Company Limited\* (揚州亞太置業有限公司) and Nanjing Jin Gao Real Estate Development Company Limited\* (南京金高房地產開發有限公司). The controlling shareholders of these companies are Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company);
  - (e) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 15 BORROWINGS *(continued)*

*Notes: (continued)*

- (v) At 30 June 2019, the Group's bank borrowings of HK\$171,000 (2018: HK\$171,000) borne variable interest rate at 4.3% per annum (2018: same). The bank borrowings were secured by the Group's bank deposits of HK\$228,000 (2018: same) and will be repayable in September 2019.
- (vi) At 30 June 2019, the Group's bank overdraft was fully repaid and the security was released accordingly. At 31 December 2018, the Group's bank overdraft of HK\$2,985,000 was secured by the leasehold land and buildings with a net carrying amount of HK\$618,000 and carried floating-rate interest based on the prime rate minus 1% per annum.
- (vii) At 30 June 2019, the Group's borrowings from a related party of HK\$13,500,000 were unsecured and non-interest bearing, and was assigned from a former shareholder, executed by a deed of loan assignment. At 31 December 2018, the Group's borrowings from a former shareholder were unsecured and non-interest bearing. During the reporting period, the maturity date of the borrowings was extended from May 2019 to August 2019.
- (viii) At 30 June 2019, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.
- (ix) At 30 June 2019, the Group's other borrowings were fully repaid. At 31 December 2018, the Group's other borrowings were interest-free, unsecured and repayable on demand.
- (x) At 30 June 2019, the Group's other borrowings of HK\$147,938,000 (2018: HK\$257,844,000) were unsecured, interest bearing at 5%-10% per annum before March 2019 and increased to 10%-15% per annum from March 2019 and will be repayable in November and December 2019 respectively. The other borrowings were guaranteed by:
  - (a) personal guarantee executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhang Li (a director of the Company); and
  - (b) a corporate guarantee executed by Shanghai Jin Da Di Investment Company Limited\* (上海金大地投資有限公司). The controlling shareholder of this company is Mr. Zhu Boheng.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 15 **BORROWINGS** *(continued)*

*Notes: (continued)*

- (xi) At 30 June 2019, the Group's other borrowings of HK\$634,235,000 were interest bearing at 12% per annum and will be repayable in May and June 2022 respectively. The other borrowings were secured and guaranteed by:
- (a) certain properties development in progress, with a net carrying amount of HK\$971,346,000;
  - (b) a corporate guarantee executed by a related company, Yangzhou Ya Tai Zhi Ye Company Limited\* (揚州亞太置業有限公司). The controlling shareholder of this company is Ever Harmony Enterprises Limited, which is owned by Ms. Qian Ling Ling (a director of the Company), and Mr. Zhu Boheng (the controlling shareholder of the Company);
  - (c) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).
- (xii) At 30 June 2019, the Group's other borrowings of HK\$3,978,000 were unsecured, interest bearing at 24% per annum and will be repayable in September 2019.

\* *For identification purpose only*

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 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:

	<i>HK\$'000</i>
Fair value of convertible notes issued	973,202
Equity component	<u>(435,900)</u>
Liability component	<u>537,302</u>

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

	<b>30 June 2019</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2018 <i>HK\$'000</i> (audited)
At 1 January	<b>104,051</b>	134,911
Redemption	<b>(105,765)</b>	(44,983)
Interest expense ( <i>note 7</i> )	<b>5,440</b>	14,123
At 30 June/31 December	<b><u>3,726</u></b>	<u>104,051</u>

On 31 May 2019, as a result of the non-fulfillment of the profit guarantee given by the Sky-Linked International Limited (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 shortfall in this respect. Accordingly, convertible notes with principal amount of HK\$110,136,000 were cancelled and accounted for as an early redemption.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 16 CONVERTIBLE NOTES *(continued)*

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

For the six months ended 30 June 2019, 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 (2018: same) to the liability component.

- (c) The shortfall was allocated to the liability and equity component of the convertible notes. An amount of HK\$106,239,000 was allocated to the liability component, being calculated as the fair value of the liability extinguished measured using a current market interest rate for a similar liability that does not have an equity conversion option. A difference of HK\$474,000 between the fair value of HK\$106,239,000 and the carrying amount of liability component of HK\$105,765,000 is recognised in profit or loss for the six months ended 30 June 2019. The residual consideration of HK\$3,897,000 was allocated to the equity component and debited to the equity component of the convertible notes reserve.

### 17 ISSUED SHARE CAPITAL

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
<b>Authorised:</b>		
100,000,000,000 (2018: 100,000,000,000) ordinary shares of HK\$0.01 (2018: HK\$0.01) each	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
3,568,790,629 (2018: 3,568,790,629) ordinary shares of HK\$0.01 (2018: HK\$0.01) each	<b>35,688</b>	35,688

There were no movements in the Company's share capital during the six months ended 30 June 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 18 SHARE-BASED PAYMENTS

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 2019. 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
Share price at date of grant	0.345	0.285
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

There were no options granted or exercised during the six months ended 30 June 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 19 COMMITMENTS

#### (a) *Lease commitments*

##### (i) *As lessor*

The Group leases its investment property under non-cancellable lease arrangements, with leases negotiated for terms ranging from 2 to 14 years. The terms of the leases generally 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 leases with its tenants falling due as follows:

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Within one year	<b>16,543</b>	16,558
Between two to five years	<b>66,224</b>	65,831
Over five years	<b>52,142</b>	60,286
	<b>134,909</b>	142,675

##### (ii) *As lessee*

At the end of the reporting period, the Group had lease commitments for short-term leases (2018: total future minimum lease payments under non-cancellable operating leases) falling due as follows:

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Within one year	<b>161</b>	2,668
Between two to five years	–	3,570
	<b>161</b>	6,238

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 19 COMMITMENTS (continued)

#### (a) Lease commitments (continued)

##### (ii) As lessee (continued)

At 30 June 2019, the Group leases certain staff quarters, car parks with a lease period of less than 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

At 31 December 2018, the Group leases a number of office properties and equipment under operating leases. The leases run for an initial period of one to four years.

#### (b) Capital commitments

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

	<b>30 June 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Contracted but not provided for:		
Property and hotel development	<b>1,811,085</b>	1,821,418
Land acquisition	–	457,261
	<b>1,811,085</b>	2,278,679

### 20 RELATED PARTY DISCLOSURES

#### (i) Related party transactions

During the six months ended 30 June 2018, Nanjing Jin Gao Real Estate Development Company Limited (“Nanjing Jin Gao”), a company controlled by Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling (a director of the Company)), and Chengdu Zhongfa Real Estate Development Co. Limited (“Chengdu Zhongfa”), an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement, pursuant to which, Nanjing Jin Gao has agreed to make an unsecured interest-free loan in the amount of RMB190 million (equivalent to HK\$236.44 million) available to Chengdu Zhongfa from 9 February 2018 for a term of 2 years. Pursuant to the Loan Agreement, the Loan was used by Chengdu Zhongfa to fund its capital commitment to Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 20 RELATED PARTY DISCLOSURES *(continued)*

#### *(ii) Compensation of key management personnel*

The remunerations of the Directors during the six months ended 30 June 2019 included short-term benefits of HK\$2,102,000 (2018: HK\$2,177,000) and share-based payments in the form of grant of share options to a director of HK\$Nil (2018: HK\$5,224,000). 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 by Sky-Linked International Limited (the “Vendor”) 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 PRC tax authority within 30 days after the equity transfer agreement is concluded. In case the Group fails to fulfill its withholding obligation and 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### **21** CONTINGENT LIABILITIES *(continued)*

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.

Except as above, the Group has no material contingent liabilities as at 30 June 2019 and 31 December 2018.

### **22** APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2019, the Group 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 2019, the Group recorded a revenue of approximately HK\$26,744,000 (2018 (restated): HK\$17,040,000). Property rental income dropped to approximately HK\$7,906,000 (2018: HK\$10,167,000) to the total revenue, as a result of the rental income from one of the tenants, not recognised in the reporting period. Income from sales of properties contributed approximately HK\$17,332,000 (2018 (restated): HK\$5,933,000) to the total revenue.

Loss attributable to owners of the Company was approximately HK\$62,630,000 (2018 (restated): HK\$63,575,000). Basic loss per share was approximately HK1.75 cents (2018 (restated): HK2.12 cents). The Board does not recommend dividend payout for the six months ended 30 June 2019 (2018: Nil). As at 30 June 2019, cash and cash equivalents were approximately HK\$2,834,000 (31 December 2018: HK\$5,847,000).

### 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.

For the six months ended 30 June 2019, the Group had recognised revenues of approximately HK\$17,332,000 (2018 (restated): HK\$5,933,000), which was delivered to the customers during the period. Certain units of semi-detached villas pre-sold but not delivered to customers, will be recognised in subsequent financial periods. Also, the Group has also pre-sold certain areas of detached villa units during the reporting period. The Group is currently carrying out the greening, landscape design and road construction works. The Group will deliver to customers, the detached villa units by first half of 2020, and the pre-sold proceeds will expect to generate further cash flows and strengthen the financial position of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### *(i) Xiangtan Project (continued)*

In the first half of 2019, the Group has finished the foundation works of 2 buildings of high-rise apartments and plan to obtain the relevant pre-sale permit in the second half of the year. Looking forward to the year of 2019 ahead, the Group will speed up the construction of the remaining Phase 1 property development, comprising the building construction of certain area of semi-detached villas and majoring in the high rise apartments together with a gross saleable area of approximately 171,000 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 demand in Xiangtan city.

#### *(ii) Chengdu Project*

For the six months ended 30 June 2019, the Group's five-storey shopping centre located in No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, held for commercial use, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenues of approximately HK\$7,906,000 (2018: HK\$10,167,000) from property rental were recorded for the six months ended 30 June 2019. The decrease in rental income was mainly due to a KTV tenant without paying the rental and the Company had taken legal action to claim against the outstanding rental and illegal occupancy costs from the non-performing tenant. The Company won in the first trial and the judgment was issued from the People's Court of Chengdu in the PRC.

#### *(iii) Film Distribution and Processing Business*

For the six months ended 30 June 2019, film distribution and processing business recorded revenues of approximately HK\$1,506,000 (2018: HK\$940,000). The Group had entered into the sale and purchase agreement with the vendor to dispose certain subsidiaries within the group, comprising mainly the film distribution and processing business. Upon the completion of the disposal on 30 April 2019, the Group ceased to engage in the film distribution and processing business. During the reporting period, the Group had recorded gain on disposal of the subsidiaries, from the film distribution and processing business was approximately HK\$6,082,000.

#### *(iv) Centralised Heat Supply Business*

As of 30 June 2019, 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\$387,330,000 (2018: HK\$421,990,000), which was approximately 13.34% (2018: 16%) to the Group's total assets of approximately HK\$2,903,908,000 (2018: HK\$2,637,551,000). The management of Ever-Grand has adopted "Discounted cashflows method" under "Income approach" as the valuation methodology.





## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### *(iv) Centralised Heat Supply Business (continued)*

The major inputs used were: (i) the approved budgeted future cashflows of Ever-Grand for the financial periods for five years (2018: same); (ii) pre-tax discount rate of 20.1% (2018: 19.1%); and (iii) terminal growth rate of 3% (2018: same).

Currently, the Group is supplying steam to around 33 (2018: 30) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2018: 4.6km). During the reporting period, the centralised heat supply business, generating revenue of approximately HK\$23,226,000 (2018: HK\$18,996,000) to Ever-Grand, representing an increase of 22.3% as compared with the last reporting period. However, in the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

As a result of the independent valuation, the Directors aware an indication of impairment of the related investment, the recoverable amount of approximately HK\$387,330,000 below the carrying amount of the investment of approximately HK\$423,478,000. The Directors considered to recognise an impairment loss of approximately HK\$36,148,000, for such investment.

According to the consolidated financial statements of Ever-Grand and its subsidiaries (collectively the "Ever-Grand Group") for FY2018 received by the Company, the attributable net profit to the Company for FY2018 is approximately HK\$2,564,000, which falls below the guaranteed amount (given by Sky-Linked International Limited ("Sky-Linked")) of HK\$112,700,000 for FY2018. The shortfall is approximately HK\$110,136,000 (the "Amount in Difference"). Pursuant to the sale and purchase agreement, in respect of the non-fulfillment of the profit guarantee for FY2018, the Company had on 31 May 2019 cancelled the same principal amount of convertible notes from those held in escrow for FY2018 and return to Sky-Linked the remaining convertible notes held in escrow for FY2018.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCING ACTIVITIES

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. Peter Zhu, 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 per cents senior guaranteed unsecured notes due in 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. On 12 March 2019, the Notes were redeemed in full by an issue of a promissory note (which carried similar terms to the Notes), except the repayment date will be due on 11 June 2019, and carries an interest rate of 15% per annum. The promissory note was fully redeemed during the reporting period.

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. The disposal was completed on 27 June 2019 pursuant to the terms of the agreement.

### PROSPECTS

The global economy is still being affected by several factors such as China-US trade dispute and a more complicated international environment, the PRC economy maintained stable growth momentum. The Group believes that the growth drivers of China’s property sector will remain solid and stable in the PRC. Therefore, the Group will continue to focus on property and hotel development business in the coming years.

According to estimates of the State Council, the elderly population aged 60 or above in China is growing by approximately 6.4 million people per year, on average, and will increase to approximately 255 million by 2020, accounting for 17.8% of the total population. As the population ageing is intensifying, the domestic demand for quality elderly services has increased significantly. In view of this, the Group intends to target the increasingly affluent population in China and explore projects such as high-end retirement communities or healthcare real estate to tap the huge growth potential.

To further expand our business, the Group is taking active measures to accelerate 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.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### PROSPECTS *(continued)*

The Group recorded substantial increase in the steam supply volume of its centralised heat supply business. Coupled with the announcement of the Greater Bay Area Master Plan and the fact that environmental heat energy business is in line with China's development direction to reduce emission and save energy, the Group is optimistic about the prospects for the centralised heat supply business. Once the relevant funding and the Greater Bay Area Initiative are implemented, the Group will speed up the deployment of steam transmission pipelines. In conjunction with the gradual roll out of stringent regulatory policies, the Group believes that more customers will switch to the cost-effective steam heating, thereby bringing sustainable revenue to the Group in the long run.

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 pragmatic 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 2019, the Group's net current assets were approximately HK\$723,900,000 (31 December 2018: HK\$310,091,000), with current assets of approximately HK\$1,569,575,000 (31 December 2018: HK\$1,299,856,000) and current liabilities of approximately HK\$845,675,000 (31 December 2018: HK\$989,765,000), representing a current ratio of approximately 1.86 (31 December 2018: 1.31). As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$2,834,000 (31 December 2018: HK\$5,847,000).

### CAPITAL STRUCTURE

As at 30 June 2019, the Group's total equity amounted to approximately HK\$945,835,000 (31 December 2018: HK\$1,004,955,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **BORROWINGS AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS**

As at 30 June 2019, the Group's outstanding borrowings and convertible notes were approximately HK\$1,404,966,000 (31 December 2018: HK\$1,065,751,000). The Group's bank borrowings of approximately HK\$122,501,000 (31 December 2018: HK\$144,357,000) were secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK\$61,516,000 (31 December 2018: HK\$65,542,000) and approximately HK\$384,578,000 (31 December 2018: HK\$369,893,000) respectively. The Group's bank borrowings of approximately HK\$170,493,000 as at 30 June 2019 (31 December 2018: HK\$193,556,000) were secured by the Group's properties development in progress with a net carrying amount of approximately HK\$451,502,000 (31 December 2018: HK\$452,273,000). The Group's borrowings from a former shareholder of approximately of HK\$13,500,000 was assigned to a related party upon the execution of a deed of assignment, were unsecured. The Group's other borrowings of approximately HK\$13,130,000 (31 December 2018: HK\$52,984,000) were unsecured. The Group's other borrowings of approximately HK\$147,938,000 (31 December 2018: HK\$257,844,000) were unsecured. The Group's other borrowings of approximately of HK\$295,294,000 (31 December 2018: HK\$296,125,000) were secured by share charges given by Keyne Holdings Limited ("Keyne"), the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company and certain related parties. The Group's other borrowings of approximately of HK\$634,235,000 (31 December 2018: HK\$Nil) were secured by certain properties development in progress, with a net carrying amount of approximately HK\$971,346,000. The Group's other borrowings of approximately of HK\$3,978,000 (31 December 2018: HK\$Nil) were unsecured. The gearing ratio based on borrowings and convertible notes over total equity as at 30 June 2019 was approximately 1.49 (31 December 2018: 1.06).

### **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.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **CONTINGENT LIABILITIES**

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

### **EMPLOYEES AND REMUNERATION POLICIES**

Staff costs for the period ended 30 June 2019 was approximately HK\$10,557,000 (2018: HK\$23,913,000). During the period ended 30 June 2018, equity-settled share-based payments, amounts to approximately HK\$13,947,000 which represent the grant of share options to certain employees, consultants and a director. The Group had a workforce of 70 (2018: 65). 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 2019 (2018: 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 2019, 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 (Note 2)
Mr. Zhang Li	Beneficial owner	14,655,625(L)	0.41%(L)

*Notes:*

1. The letter “L” denotes the person’s long position in such shares.
2. The percentage is calculated on the basis of 3,568,790,629 shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### 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.

Details of the share options granted under the Scheme to the 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				Approximate percentage of the issued share capital of the Company %	
				Outstanding as at 01.01.2019	Granted during the review period	Exercised during the review period	Cancelled/ Lapsed during the review period		Outstanding as at 30.06.2019
Employee	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625 <sup>(1)</sup>	-	-	-	24,711,625	0.69
				24,711,625	-	-	-	24,711,625	0.69

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### Share options *(continued)*

Notes:

1. The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.355.
2. The total number of the Company's share available for issue under the Scheme was 98,846,500 which represented approximately 2.77% of the issued share capital of the Company as at the date of this report.
3. As at 30 June 2019, the number of issued shares of the Company, which is 3,568,790,629 shares, has been used for the calculation of approximate percentage shareholding in the Company.

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

As at 30 June 2019, 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	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
Zhu Boheng <i>(Note 1)</i>	Interest of controlled corporation	2,154,335,860(L)	60.37%(L)
Keyne Holdings Limited <i>(Note 1)</i>	Beneficial owner	2,154,335,860(L)	60.37%(L)
Li Ruiguang <i>(Note 2)</i>	Interest of controlled corporation	411,747,000(L)	11.54%(L)
Eternal Galaxy Group Limited	Beneficial owner	54,340,000(L)	1.52%(L)
<i>(Notes 2 &amp; 3)</i>	Interest of controlled corporation	238,875,000(L)	6.69%(L)
Cheng Cong <i>(Note 4)</i>	Beneficial owner	81,686,000(L)	2.29%(L)
Asia Glory International Development Limited <i>(Note 4)</i>	Interest of controlled corporation	221,544,000(L)	6.21%(L)
	Beneficial owner	221,544,000(L)	6.21%(L)



## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### Long positions *(continued)*

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

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
Cheng Ngok Fai <i>(Note 5)</i>	Interest of controlled corporation	209,976,250(L)	5.88%(L)
Connected-World Group Limited <i>(Note 5)</i>	Beneficial owner	209,976,250(L)	5.88%(L)
China Huarong International Holdings Limited (“CHIH”) <i>(Note 6)</i>	Person having a security interest in shares	2,010,501,197(L)	56.34%(L)
China Huarong Asset Management Company Limited (“CHAMC”) <i>(Note 6)</i>	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)
Jovial Paradise Limited (“JP”) <i>(Note 7)</i>	Person having a security interest in shares	263,441,663(L)	7.38%(L)
Chen Wai Wai Vivien <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Crosby Investment Holdings Inc. (“CIH”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Vervain Enterprises Limited (“VE”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Vervain China Development Holdings Limited (“VCDH”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Vervain Consolidated Investments Limited (“VCI”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed NF China Holdings Limited (“INFCH”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed NF China Investors III Limited (“INFCI”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed NF China Real Estate Fund III L.P. (“INFCREF”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed Partners LLP (“IP”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### Long positions *(continued)*

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

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
InfraRed Capital Partners (Management) LLP (“ICPM”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Soaring Sky Worldwide Limited (“SSW”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Unicorn Star Properties Limited (“USP”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Ong Jenn <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Ong Sek Hian <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Metro Holdings Limited (“MH”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Metro China Holdings Pte Ltd (“MCH”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Crown Investments Limited (“CI”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Firewave Management Limited (“FM”) <i>(Note 7)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)

#### Notes:

- The entire issued share capital of Keyne Holdings Limited is owned by Mr. Zhu Boheng.
- The entire issued share capital of Eternal Galaxy Group Limited is owned by Mr. Li Ruiguang.
- 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).
- The entire issued share capital of Asia Glory International Development Limited is owned by Mr. Cheng Cong.



## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### **Long positions** *(continued)*

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

*Notes: (continued)*

5. The entire issued share capital of Connected-World Group Limited (“Connected-World”) is owned by Mr. Cheng Ngok Fai. As disclosed in the form of disclosure of interest filed by Connected-World dated 21 June 2019, Connected-World is deemed to be interested in 4,801,250 shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Convertible Notes (assuming full conversion of the Convertible Notes).
6. As disclosed in the form of disclosure of interest filed by China Huarong International Holdings Limited (“CHIH”) dated 6 December 2018, CHIH has direct interest in 2,010,501,197 shares. Based on the form of disclosure of interest filed by China Huarong Asset Management Company Limited (“CHAMC”) dated 6 December 2018, approximately 88.10% of the entire issued share capital of CHIH is owned by Huarong Real Estate Company Limited (“HREC”), a wholly-owned subsidiary of CHAMC, a company listed on the Main Board of the Stock Exchange (Stock Code: 02799). HREC and CHAMC are in turn deemed to be interested in the Shares held by CHIH by virtue of the provisions of the SFO.
7. As disclosed in the form of disclosure of interest filed by Jovial Paradise Limited (“JP”) dated 29 October 2018, JP has direct interest in 263,441,663 shares. JP is held as to 56.23% by Unicorn Star Properties Limited (“USP”) and 43.77% by Firewave Management Limited (“FM”). USP is held as to 78.26% by Soaring Sky Worldwide Limited (“SSW”), a wholly-owned subsidiary of InfraRed NF China Real Estate Fund III L.P. (“INFCREF”). InfraRed NF China Investors III Limited (“INFCI”), the General Partner of INFCREF, is a wholly-owned subsidiary of InfraRed NF China Holdings Limited (“INFCH”). INFCH is held as to 50% by Vervain Consolidated Investments Limited (“VCI”) and 50% by InfraRed Partners LLP (“IP”) which is entirely owned by InfraRed Capital Partners (Management) LLP (“ICPM”). VCI is a wholly-owned subsidiary of Vervain China Development Holdings Limited (“VCDH”). VCDH is a wholly-owned subsidiary of Vervain Enterprises Limited (“VE”). VE is a wholly-owned subsidiary of Crosby Investment Holdings Inc. (“CIH”). CIH is wholly-owned by Ms. Chen Wai Wai Vivien. FM is a wholly-owned subsidiary of Crown Investments Limited (“CI”). CI is a wholly-owned subsidiary of Metro China Holdings Pte Ltd (“MCH”). MCH is a wholly-owned subsidiary of Metro Holdings Limited (“MH”). MH is held as to 34.43% by Mr. Ong Jenn and 34.43% by Mr. Ong Sek Hian, respectively. USP, SSW, INFCREF, INFCI, INFCH, VCI, IP, ICPM, VCDH, VE, CIH, FM, CI, MCH, MH, Ms. Chen Wai Wai Vivien, Mr. Ong Jenn and Mr. Ong Sek Hian are deemed to be interested in the Shares held by JP by virtue of the Provisions of the SFO.

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### **Long positions** *(continued)*

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

*Notes: (continued)*

8. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 30 June 2019.

9. The letter “L” denotes the person’s long position in such shares and the underlying shares.

Save as disclosed above, as at 30 June 2019, 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, 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 utilisation; 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 utilisation 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 charge to the Lender by way of first fixed charge as beneficial owner of 2,010,501,197 ordinary shares of the Company owned by it.



## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

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

2. As disclosed in the announcement made by the Company on 27 November 2018 (the “2018 Announcement”), the Company entered into the subscription agreement (the “Subscription Agreement”) with Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) (“Donghai Financial”) as the subscriber, and Mr. Zhu Peter, Ms. Qian Ling Ling, Mr. Zhu Boheng (“Mr. Zhu”), 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 Series 1 Notes and Series 2 Notes (as defined in the 2018 Announcement) in the aggregate principal amount of US\$20,000,000 in favour of Donghai Financial (the “Notes”). The Notes shall mature on the date falling 364 days from the closing date of the Series 1 Notes and Series 2 Notes respectively pursuant to the terms of the Subscription Agreement and the conditions to the Notes (the “Note Conditions”).

As at the date of the 2018 Announcement, Mr. Zhu owns 100% of the issued share capital of Keyne, which in turn holds approximately 60.20% of the total issued share capital of the Company. As such, Mr. Zhu is the controlling shareholder of the Company pursuant to the Listing Rules.

Pursuant to the 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### **Purchase, redemption and sale of shares**

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 shares.

### **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 2019.

### **Sufficiency of public float**

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

### **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 interim financial statements for the six months ended 30 June 2019.

### **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  
**Nine Express Limited**  
**Zhang Li**  
*Executive Director and Chief Executive Officer*

Hong Kong, 28 August 2019