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SINO HAIJING HOLDINGS LIMITED

中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01106)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 (the “Period”) was approximately HK\$559.5 million, representing a significant increase of approximately 40.4% as compared to approximately HK\$398.6 million for the corresponding period in last year.
- Gross profit for the Period was approximately HK\$110.6 million, representing an increase of approximately 50.3% as compared to approximately HK\$73.6 million for the corresponding period in last year. The overall profit margin for the Period increased from 18.5% to 19.8%.
- Profit attributable to equity holders of the Company for the Period was approximately HK\$1.5 million, representing a significant increase of approximately 102.2% as compared to the loss approximately HK\$66.8 million for the corresponding period in last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

INTERIM RESULTS

The board of Directors (the “Board”) of Sino Haijing Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018, together with unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited) (restated)
Continuing operations			
Revenue	3	559,506	398,572
Cost of sales		<u>(448,915)</u>	<u>(324,970)</u>
Gross profit		110,591	73,602
Other income	5	11,808	5,415
Gain on disposal of available-for-sale financial assets		–	8,316
Loss on change in fair value of convertible bonds		–	(18,402)
Gain on change in fair value of embedded derivatives in convertible redeemable bonds		–	9,835
Net Loss on financial assets at fair value through profit or loss		(7,578)	(11,228)
Loss on disposal of an associate		–	(18,879)
Impairment loss on goodwill		–	(14,743)
Impairment loss on intangible assets		–	(16,100)
Administrative and other operating expenses		(73,246)	(27,063)
Share of profit of an associate		–	319
		<u>41,575</u>	<u>(8,928)</u>
Profit/(loss) from operations		41,575	(8,928)
Finance costs		<u>(31,525)</u>	<u>(48,117)</u>
		<u>10,050</u>	<u>(57,045)</u>
Profit/(loss) before tax	6	10,050	(57,045)
Income tax expense	7	<u>(9,970)</u>	<u>(1,745)</u>
		<u>80</u>	<u>(58,790)</u>
Profit/(loss) for the period from continuing operations		80	(58,790)
Discontinued operations			
Profit/(loss) for the period from discontinued operations		<u>–</u>	<u>(13,057)</u>
		<u>80</u>	<u>(71,847)</u>
Profit/(loss) for the period		80	(71,847)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (restated)
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(40,279)	18,787
Release of exchange reserve upon disposal of an associate	–	14,847
Release of revaluation reserve upon disposal of available-for-sale financial assets	–	(22,680)
Change in fair value of available-for-sale financial assets	–	14,334
	<u>–</u>	<u>14,334</u>
Total comprehensive loss for the period	<u>(40,199)</u>	<u>(46,559)</u>
Profit/(loss) for the period attributable to the equity holders of the Company:		
– from continuing operations	1,505	(58,331)
– from discontinued operations	–	(8,488)
	<u>–</u>	<u>(8,488)</u>
	<u>1,505</u>	<u>(66,819)</u>
Loss for the period attributable to non-controlling interests:		
– from continuing operations	(1,425)	(460)
– from discontinued operations	–	(4,568)
	<u>–</u>	<u>(4,568)</u>
	<u>(1,425)</u>	<u>(5,028)</u>
Profit/(loss) for the period	<u>80</u>	<u>(71,847)</u>
Total comprehensive loss attributable to the equity holders of the Company:		
– from continuing operations	(38,908)	(33,837)
– from discontinued operations	–	(8,488)
	<u>–</u>	<u>(8,488)</u>
	<u>(38,908)</u>	<u>(42,325)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(restated)
Total comprehensive income/(loss) attributable to non-controlling interests:			
– from continuing operations		(1,291)	(4,415)
– from discontinued operations		<u>–</u>	<u>181</u>
		<u>(1,291)</u>	<u>(4,234)</u>
Total comprehensive loss for the period		<u>(40,199)</u>	<u>(46,559)</u>
Earnings/(loss) per share			
– Basic	9		
– from continuing operations		HK\$0.01 cents	(HK\$0.56 cents)
– from discontinued operations		<u>N/A</u>	<u>(HK\$0.08 cents)</u>
– Diluted	9		
– from continuing operations		HK\$0.01 cents	(HK\$0.56 cents)
– from discontinued operations		<u>N/A</u>	<u>(HK\$0.08 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		10,782	11,096
Property, plant and equipment		375,291	389,208
Intangible assets		140,451	144,929
Lease premiums for land		29,175	29,837
Financial assets at fair value through other comprehensive income		440	–
Available-for-sale financial assets		–	36,828
Deposits for potential acquisition of subsidiaries		50,000	55,000
Deposits for acquisition of land and plant and machinery		15,646	21,434
Deposits for acquisition of intangible assets		53,600	53,600
Goodwill		3,059	3,059
Promissory notes receivable		157,190	153,537
Security deposits		10,983	10,983
Deferred tax assets		7,624	7,624
		<u>854,241</u>	<u>917,135</u>
Current assets			
Inventories		38,754	36,796
Lease premiums for land		757	757
Trade and other receivables	11	403,212	395,042
Loans and interest receivables		691,670	667,110
Financial assets at fair value through profit or loss	10	45,987	5,557
Pledged bank deposits		9,485	4,083
Cash and cash equivalents		114,679	115,867
		<u>1,304,544</u>	<u>1,225,212</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**At 30 June 2018*

		As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	<i>12</i>	321,668	184,677
Notes payable		440,000	464,000
Bank and other borrowings		92,484	150,070
Income tax payable		8,222	62,986
		<u>862,374</u>	<u>861,733</u>
Net current assets		<u>442,170</u>	<u>363,479</u>
Total assets less current liabilities		<u>1,296,411</u>	<u>1,280,614</u>
Non-current liabilities			
Bonds payable	<i>13</i>	65,370	10,216
Deferred tax liabilities		2,302	2,302
		<u>67,672</u>	<u>12,518</u>
		<u>1,228,739</u>	<u>1,268,096</u>
Capital and reserves			
Share capital	<i>14</i>	155,292	148,292
Reserves		1,050,121	1,095,187
Equity attributable to equity holders of the Company		<u>1,205,413</u>	<u>1,243,479</u>
Non-controlling interests		23,326	24,617
TOTAL EQUITY		<u>1,228,739</u>	<u>1,268,096</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and applicable disclosure requirements under Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to the Group's operations and are effective for the Group's financial year beginning on 1st January 2018 as described below.

Annual improvements to HKFRSs	2014-2016 Cycle: HKFRS 1 and HKAS 28
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9: Financial instruments

HKFRS 9 replaces HKAS 39, Financial Instruments: Recognition and Measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(i) Classification and measurement of financial instruments

HKFRS 9 categories financial assets into three principal classification categories:

- at amortised cost;
- at fair value through other comprehensive income (FVTOCI); and
- at fair value through profit or loss (FVTPL).

These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective.

Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group elected to present other comprehensive income changes in fair value of part of its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of approximately HK\$462,000 were classified from available-for-sale financial assets to financial assets at fair value through other comprehensive income and revaluation reserve of approximately HK\$3,805,000 were reclassified from available-for-sale financial assets revaluation reserve to the investment revaluation reserve on 1 January 2018.

In addition, the Group elected to present profit or loss changes in fair value of the remaining portion of its equity investments previously classified as available-for-sale, because these investments are expected to be sold in the short to medium term. As a result, assets with a fair value of approximately HK\$36,366,000 were classified from available-for-sale financial assets to financial assets at fair value through profit or loss and revaluation reserve of approximately HK\$10,496,000 were reclassified from available-for-sale financial assets revaluation reserve to accumulated losses on 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(ii) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the Expected Credit Loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost. The Group’s financial assets measured at fair value, including equity securities measured at FVTPL, equity securities designated at FVTOCI (non-recycling) and derivative financial assets are not subject to the ECL assessment.

(a) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(ii) Credit losses *(Continued)*

(a) Measurement of ECLs *(Continued)*

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for loan receivables, trade receivables, note receivables, other receivables, pledged bank deposits and cash and cash equivalents are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(ii) Credit losses (Continued)

(b) Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(ii) Credit losses (Continued)

(b) Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

(c) Basis of calculation of interest income on credit-impaired financial assets:

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(ii) Credit losses (Continued)

(d) Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationship.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9: Financial instruments *(Continued)*

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed as at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVTOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since the initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 aims at providing a more robust framework for addressing revenue issues; improving comparability; and providing more useful information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 15: Revenue from Contracts with Customers *(Continued)*

The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following 5 steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios.

Based on the current business model, the directors of the Company do not expect that the adoption of HKFRS 15 would result in any significant impact on the amounts reported on the Group’s consolidated financial statements in the future.

As at the date of authorisation of these unaudited condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs and so far has identified some aspects of the new standards which may have a significant impact on the unaudited condensed consolidated financial statements. Expected impacts are summarised below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES *(Continued)*

HKFRS 16: Leases

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the financial position and performance of the Group comparing HKAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. REVENUE

Revenue represents (i) the sale of packaging products, which is net of value-added tax and other sales taxes, and is stated after deduction of all goods returns and trade discounts, (ii) ticket sales, and tour revenue from tourism and travel business, (iii) loan interest income from money lending business, (iv) service fee from ticketing agency business and (v) entrustment and management fees from healthcare business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

3. REVENUE *(Continued)*

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(restated)
Continuing operations		
Sale of packaging products	381,044	322,358
Loan interest income from money lending business	38,459	22,367
Sale of air-tickets in tourism and travel business	136,226	53,009
Sale of admission tickets in scenic spot business	899	838
Tour revenue from tourism and travel business	2,878	–
	559,506	398,572
Discontinued operations		
Service fee from ticketing agency business	–	14,440
Entrustment and management fees from healthcare business	–	3,580
	–	18,020
	559,506	416,592

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

4. SEGMENT REPORTING

SEGMENT INFORMATION

The chief operating decision maker has evaluated the performance of operating segments and allocated resources to those segments based on the Group's internal reporting in respect of these segments. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group's reportable segments are as follows:

Continuing operations

- (a) Manufacturing and sale of packaging products ("Packaging Business");
- (b) Securities trading and other investing activities ("Securities Investments");
- (c) Tourism and travel business ("Tourism and Travel");
- (d) Money lending business ("Money Lending");

Discontinued operations

- (e) Healthcare business ("Healthcare Business"); and
- (f) Ticketing agency business ("Ticketing agency").

Segment results represent the results from each reportable segment. The following analysis is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

4. SEGMENT REPORTING (Continued)

BY BUSINESS SEGMENTS

An analysis of the Group's revenue and results by reportable segments are set out below:

	Continuing operations								Discontinued operations				Total	
	Securities													
	Packaging Business		Investments		Tourism and Travel		Money Lending		Healthcare Business		Ticketing Agency		2018	2017
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June (unaudited)														
Segment revenue														
Revenue from external customers	<u>381,044</u>	<u>322,358</u>	<u>-</u>	<u>-</u>	<u>140,003</u>	<u>53,847</u>	<u>38,459</u>	<u>22,367</u>	<u>-</u>	<u>3,580</u>	<u>-</u>	<u>14,440</u>	<u>559,506</u>	<u>416,592</u>
Segment profit (loss)	<u>3,115</u>	<u>28,320</u>	<u>(7,475)</u>	<u>(20,911)</u>	<u>2,453</u>	<u>(1,789)</u>	<u>40,359</u>	<u>22,353</u>	<u>-</u>	<u>2,593</u>	<u>-</u>	<u>(18,399)</u>	<u>38,452</u>	<u>12,167</u>

Reconciliation of segment profit or loss:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Segment profit presented above	38,452	12,167
Other income	5	2,561
Loss on change in fair value of convertible bonds	-	(18,402)
Gain on disposal of available-for-sale financial assets	-	8,316
Net Loss on fair value change of financial assets at fair value through profit or loss	(7,578)	(11,228)
Unallocated amounts		
– Unallocated finance costs	(16,327)	(34,283)
– Corporate expenses	(4,502)	(31,982)
Profit/(loss) before tax	10,050	(72,851)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4. SEGMENT REPORTING (Continued)

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas: Hong Kong and the PRC.

The following table sets out information about geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services are provided or the goods are delivered.

	Revenue from external customers	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Hong Kong	39,647	75,375
The PRC	519,859	323,197
Discontinued operations		
The PRC	–	18,020
	<hr/>	<hr/>
	559,506	416,592
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest income	6,470	3,140
Rental income	1,731	193
Government grants	2,065	1,074
Sale of raw materials and scrap products	–	553
Sale of steam	–	222
Sundry income	1,542	191
Exchange gains	–	42
	<hr/>	<hr/>
Other income from continuing operations	11,808	5,415
Discontinued operations		
Interest income	–	2
	<hr/>	<hr/>
	11,808	5,417
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

6. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following items:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
a) Finance costs:		
Interest expenses on bank and other borrowings	7,290	26,917
Interest expenses on notes payables	23,200	21,200
Interest expenses on bonds	1,035	–
	<u>31,525</u>	<u>48,117</u>
b) Other items:		
Amortisation of lease premium for land	300	316
Cost of services	128,126	53,426
Cost of inventories	320,789	271,544
Amortisation of intangible assets	4,478	1,788
Depreciation of property, plant and equipment	11,585	12,183
Depreciation of investment properties	314	288
Staff costs	21,474	47,915
	<u>21,474</u>	<u>47,915</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

7. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax has been provided at 16.5% on the Group's estimated assessable profits arising from Hong Kong for the six months ended 30 June 2018 and 2017. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates of 25% on the estimated assessable profits for the six months ended 30 June 2018 and 2017 based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Hong Kong Profits Tax		
– Current period	6,659	–
– Deferred tax	–	–
	<u>6,659</u>	<u>–</u>
PRC enterprise income tax		
– Current period	3,311	3,613
– Over provision in prior period	–	(1,868)
	<u>3,311</u>	<u>1,745</u>
Total income tax expense from continuing operations	<u>9,970</u>	<u>1,745</u>
Discontinued operations		
Current tax	–	1,286
Deferred tax	–	(4,035)
	<u>–</u>	<u>(2,749)</u>
Total income tax credit from discontinued operations	<u>–</u>	<u>(2,749)</u>
Income tax expense/(credit)	<u>9,970</u>	<u>(1,004)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

8. INTERIM DIVIDEND

For the six months ended 30 June 2018, the Board does not recommend the payment of any interim dividend (six months ended 30 June 2017: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the equity holders of the Company are based on the following data:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
(i) From continuing and discontinued operations		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share		
Earnings/(loss) for the period attributable to the owners of the Company	<u>1,505</u>	<u>(66,819)</u>
(ii) From continuing operations		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share		
Earnings/(loss) for the period attributable to the owners of the Company	<u>1,505</u>	<u>(58,331)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

9. EARNINGS/(LOSS)LOSS PER SHARE (Continued)

	Six months ended 30 June	
	2018	2017
	Number of	Number of
	shares	shares
	'000	'000
Number of shares		
From continuing operations and from discontinued operations		
Issued ordinary shares at 1 January	11,863,360	10,352,800
Effect of issue of shares by placements	–	57,314
Effect of issue of new shares for acquisition of subsidiaries	–	54,466
Effect of conversion of convertible bonds	244,420	–
	<u>12,107,780</u>	<u>10,464,580</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share		
Effect of dilutive potential ordinary shares:		
– Convertible bonds	315,580	–
– Share option granted	431,627	–
	<u>12,854,987</u>	<u>10,464,580</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share		
Earnings/(loss) per share from continuing operations:		
– Basic	HK\$0.01 cents	(HK\$0.56 cents)
– Diluted	HK\$0.01 cents	(HK\$0.56 cents)
Earnings/(loss) per share from discontinued operations:		
– Basic	N/A	(HK\$0.08 cents)
– Diluted	N/A	(HK\$0.08 cents)

Diluted loss per share from continuing operations and from discontinued operations were the same as the basic loss per share for the six months ended 30 June 2017 because the potential ordinary shares from the outstanding share options under the Company's share option scheme and the conversion of convertible bonds outstanding had an anti-dilutive effect on the basic loss per share during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Equity securities, held for trading:		
Listed in Hong Kong	29,048	5,170
Listed outside Hong Kong	16,939	387
	<u>45,987</u>	<u>5,557</u>

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period. During the six months period ended 30 June 2018, net loss of approximately HK\$7,578,000 (2017: approximately HK\$11,228,000) of these securities was recognised in the condensed consolidated statement of comprehensive income.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade receivables (<i>note a</i>)	249,530	221,759
Less: Allowance for trade receivables	–	(86)
	<u>249,530</u>	<u>221,673</u>
Bills receivable (<i>note b</i>)	73,470	124,247
Other receivables (<i>note c</i>)	34,384	23,795
Prepayments and deposits	45,828	25,327
	<u>403,212</u>	<u>395,042</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

11. TRADE AND OTHER RECEIVABLES (Continued)

- (a) The ageing analysis of the trade receivables by invoice date at the end of the reporting period is as follows:

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Within 3 months	204,402	218,632
Over 3 months but within 6 months	15,349	2,356
Over 6 months but within 1 year	8,157	417
Over 1 year	21,622	354
	249,530	221,759
Less: Allowance for trade receivables	–	(86)
	249,530	221,673

The normal credit period granted to the customers of the Group is 90 to 120 days (2017: 90 to 120 days). Allowance for trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

- (b) All bills receivables were not past due and there was no history of default. The normal terms granted by the banks are 90 to 120 days (2017: 90 to 120 days).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

11. TRADE AND OTHER RECEIVABLES (Continued)

- (c) Included in the other receivables are earnest money previously paid and refundable of US\$2,000,000 (31 December 2017: US\$2,000,000) in connection with the proposed acquisition of Jet Asia Airways Company Limited (“Jet Asia”). On 17 January 2017, the Group entered into a memorandum of understanding with JAA Capital Limited (“JAA”) in relation to the proposed acquisition of Jet Asia and paid earnest money in the sum of US\$2,000,000 (equivalent to HK\$15,528,000) to Jet Asia. Upon the lapse of the memorandum on 18 March 2017, JAA alleged that the Group had breached the confidentiality provision in the memorandum as the Group had publicly announced the memorandum on 17 January 2017 and therefore Jet Asia and / or JAA has refused to refund the earnest money. On 21 August 2017 and 24 August 2017, the Group commenced arbitration proceedings against Jet Asia and JAA respectively at Hong Kong International Arbitration Centre (the “Arbitration”). For the Arbitration commenced by the Group, the Group filed its statement of case on 11 June 2018 in accordance with the direction laid down by the arbitrator of the Arbitration (“the “Arbitrator’s Direction”). In the meantime, the Group is waiting for the counterparties to file their statements of defence (and counterclaim, if any) which, according to the Arbitrator’s Direction, should be filed in August 2018. The other procedural steps which have to be taken by the parties to the Arbitration, including but not limited to filing of other pleadings, requesting disclosure of documents and exchanging of witnesses’ statements should follow the Arbitrator’s Direction. There is no assurance that the hearing of the Arbitration will take place or complete by the end of 2018.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2018 <i>HK\$’000</i> (Unaudited)	As at 31 December 2017 <i>HK\$’000</i> (Audited)
Trade payables (<i>note a</i>)	101,143	90,331
Bills payables	18,969	11,112
Other payables and accruals	147,105	39,983
Accrued interest on notes payable	54,451	43,251
	321,668	184,677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

12. TRADE AND OTHER PAYABLES (Continued)

- (a) The ageing analysis of the trade payables by invoice date at the end of the reporting period is as follows:

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Within 3 months	73,204	73,344
Over 3 months but within 6 months	19,025	11,684
Over 6 months but within 1 year	4,391	2,084
Over 1 year	4,523	3,219
	101,143	90,331

13. BONDS PAYABLE

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Bonds - unsecured	65,370	10,216

On 5 June 2017, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent has agreed to procure placees to subscribe for the bonds in an aggregate principal amount of HK\$10,000,000. On the same date, an independent third party has subscribed the bonds issued by the Company. The bonds carry a fixed coupon rate of 6% per annum, paid annually and due 4 June 2024.

On 14 June 2018, the Company and a Placing Agent entered into a Placing Agreement pursuant to which the Placing Agent has agreed to subscribe for the Bonds in an aggregate principal amount of up to HK\$150,000,000. On the same date, the independent third parties have subscribed the Bonds of HK\$55,000,000 issued by the Company. The bonds carry a fixed coupon rate of 6% per annum with interest bearing, paid annually and are due on 13 June 2020.

During the period ended 30 June 2018, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

14. SHARE CAPITAL

	As at 30 June 2018		As at 31 December 2017	
	<i>No. of shares</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>No. of shares</i> (Audited)	<i>HK\$'000</i> (Audited)
Authorised:				
Ordinary shares of HK\$0.0125 each (2017: HK\$0.0125 each)	30,000,000,000	375,000	30,000,000,000	375,000
Issued and fully paid:				
At beginning of the period/year	11,863,360,252	148,292	10,352,800,252	129,410
Issue of shares by placement	–	–	1,230,560,000	15,382
Issue of new shares for acquisition of subsidiaries	–	–	280,000,000	3,500
Issue of new shares on conversion of convertible bonds (<i>Note a</i>)	560,000,000	7,000	–	–
At end of the period/year	12,423,360,252	155,292	11,863,360,252	148,292

- (a) On 13 April 2018, the convertible bonds with the principal amount of HK\$112,000,000 were converted into 560,000,000 new shares of the Company at the conversion price of HK\$0.20 per share upon fulfillment of the profit guarantee requirements in the acquisition of Arch Partners Holdings Limited and its subsidiaries on 21 April 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

15. EVENTS AFTER THE REPORTING PERIOD

(i) EXTENSION OF MATURITY DATE OF NOTES

In respect of the 2-year 8% coupon secured and unlisted notes in an aggregate principal amount of HK\$280,000,000 (the “Notes”) issued by Equal Smart Global Limited (a wholly-owned subsidiary of the Company), the Group and the only holder of the Notes entered into a deed for the amendment of the instrument of the Notes on 20 July 2018, pursuant to which the maturity date of the Notes has been further extended from 21 July 2018 to 21 January 2019 with interest rate of 8.6% per annum for the extended period. The Notes are secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company. Details regarding the deed for amendment were set out in the announcement of the Company dated 20 July 2018.

(ii) INTEREST IN IRRDEEMABLE CONVERTIBLE PREFERENCE SHARES (“ICPS”)

During six months ended 30 June 2018, 10,000,000 ICPS of Yong Tai Berhad were disposed of by the Group with 7,500,000 ICPS remained unsold as at that date. Subsequent to 30 June 2018, the Group disposed of 5,000,000 ICPS and 2,500,000 ICPS remained unsold and were held by the Group up to the date of this report.

(iii) SETTLEMENT OF PROFESSIONAL FEE BY MEANS OF ISSUE OF REMUNERATION SHARES

On 11 July 2018, the Company issued 12,500,000 new shares to Mr. Han Ning at the price of HK\$0.2 per share for the settlement of the PRC legal advisory service to be provided by Mr. Han Ning to the Group from 4 June 2018 to 5 June 2019. These new shares rank pair passu in all respects with the existing shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the past, the principal activities of the Group mainly focus on the production and sale of expanded polystyrene (“EPS”) packaging products for household electrical appliances (“Packaging Business”) in the PRC. Started from year 2016, in order to diversify the business of the Group, the Group has been exploring for appropriate opportunities for different investment projects, including, but not limited to the tourism and travel industry, entertainment and cultural industry and money lending business.

PACKAGING BUSINESS

The revenue for the period from Packaging Business was approximately HK\$381.0 million, representing an increase of 18.2% as compared to approximately HK\$322.4 million for the corresponding period in 2017.

Gross profit of the Packaging Business was approximately HK\$60.3 million for the period 2018, representing an increase of approximately 18.7% as compared to approximately HK\$50.8 million for the corresponding period in 2017. The overall gross profit margin was maintained at 15.8% for the corresponding period in 2017 and 2018. During the period, the Packaging Business recorded segment profit of approximately HK\$3.1 million (2017: approximately HK\$28.3 million).

TOURISM AND TRAVEL BUSINESS

The revenue for the period from Tourism and Travel Business, including travel agency and scenic spot, was approximately HK\$140.0 million (2017: approximately HK\$53.8 million) and the gross profit was approximately HK\$16.4 million (2017: approximately HK\$13.7 million). Given that the Group acquired Arch Partners Group and Incola Travel Group which are principally engaged in the business of travel agency in the first half of 2017, the revenue from Tourism and Travel Business was significantly increased as compared to the corresponding period in 2017. During the period, the Tourism and Travel Business recorded segment profit of approximately HK\$2.5 million (2017: loss of approximately HK\$1.8 million). The profit is mainly due to the absence of operating expenses from the discontinued operations of approximately HK\$nil million (2017: 15.8 million) recognised in the income statement during the period.

The Tourism and Travel Business of the Group is still in the growing stage and the management will strive its best to develop this new segment. The Group will also keep looking for the opportunities to explore different potential investments for tourism and travel industry from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SECURITIES INVESTMENTS

The Group has invested in a portfolio of listed securities in Hong Kong, China, Australia and Malaysia. The investments are designated and accounted for as financial assets at fair value through profit or loss, available-for-sale financial assets and investment in an associate in the consolidated financial statements.

During the period, the Group recorded a loss of approximately HK\$7.5 million (2017: approximately HK\$20.9 million), which was primarily due to the net realised loss on disposal of 10,000,000 ICPS of Yong Tai Berhad and the net loss on listed securities in Hong Kong and China. In view of the volatile stock market in recent years, the Group will closely monitor the performance of investment portfolio and adopt relatively conservative investment strategy to minimise the risk exposure and uncertainty of returns from securities investments.

MONEY LENDING BUSINESS

The Money Lending segment has recorded a steady growth since the commencement of business in June 2016. As at 30 June 2018, the loan portfolio was approximately HK\$691.7 million (31 December 2017: approximately HK\$667.1 million) with terms of one year at effective interest rates ranging from 6% to 16% (2017: 10% to 15%) per annum. For the period ended 30 June 2018, the Group recorded interest income from the loan portfolio of approximately HK\$38.5 million (2017: approximately HK\$22.4 million). The Group will continue to develop money lending business as it will provide opportunities to increase the turnover and profit for the Group.

REVENUE

Revenue for the period was approximately HK\$559.5 million, representing a significant increase of approximately 40.4% as compared to approximately HK\$398.6 million for the corresponding period in 2017. This was primarily due to the revenue from Tourism and travel Business and Packaging Business were growth by approximately HK\$86.2 million and HK\$58.7 million, respectively, compared to corresponding period in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

GROSS PROFIT

Gross profit for the period was approximately HK\$110.6 million, representing an increase of approximately 50.3% as compared to approximately HK\$73.6 million for the corresponding period in 2017. The increase was primarily due to the contribution from Tourism and travel Business, which recorded gross profit of approximately HK\$16.4 million (2017: approximately HK\$0.4 million) during the period. The overall profit margin for the period increased from 18.5% to 19.8%.

OTHER REVENUE AND OTHER INCOME

Other revenue and other income was approximately HK\$11.8 million for the period, representing an increase of approximately 118.5% as compared to approximately HK\$5.4 million for the corresponding period in 2017.

NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE

During the period, the Group recorded a net loss on financial assets at fair value through profit or loss of approximately HK\$7.6 million (2017: approximately HK\$11.2 million). The Board will closely monitor the performance of the investment portfolio and will diversify the investment portfolio across various segment of the market.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses increased by 22.0% to approximately HK\$73.2 million in 2018 from approximately HK\$60.0 million (included both continuing operations and discontinued operations), in the corresponding period of 2017, The increase mainly due to the newly acquired subsidiaries related to tourism and travel operations in 2017 which fully accounted for during the period and only partially reflected in the corresponding period in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCE COSTS

Finance costs for the period were approximately HK\$31.5 million, representing a significant decrease of approximately 34.5% as compared to approximately HK\$48.1 million for the corresponding period in 2017. The decrease of finance costs was mainly due to the reduction of borrowings for developing new business and for general working capital of the Group during the period.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD

As a result of the factors described above, profit attributable to equity holders of the Company for the period was approximately HK\$1.5 million, a significant increase of approximately 102.2% as compared to the loss of approximately HK\$66.8 million for the corresponding period last year.

BUSINESS REVIEW AND OUTLOOK

During the first half of 2018, the Group's Packaging Business, representing production and sale of expanded polystyrene packaging products for household electrical appliances in the PRC, continued to provide steady revenue and cash flow to the Group and recorded revenue of approximately HK\$381.0 million, representing an increase of 18.7% compared to the corresponding period last year. On the other hand, the Group recorded a loss in the Securities Investments segment of approximately HK\$7.5 million (2017: approximately HK\$20.9 million). The Group is continuously engaged in investments in various securities in the first half of 2018 for the purpose of capital appreciation. In future, the Group will continue to exercise due professional care in selecting investment targets.

While maintaining the Packaging Business and Securities Investments Business, the Group has also been exploring other business opportunities to diversify businesses of the Group. The Group has commenced Money Lending Business with the money lender licence in Hong Kong under the Money Lenders Ordinance from the second half of 2016. During the period, interest income of approximately HK\$38.5 million (2017: approximately HK\$22.4 million) from loan receivable was recognised in the income statement. The interest rate charged during the period was ranging from 6% to 16% (2017: 10% to 15%) per annum. It is expected that such business will contribute steady returns to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Started from 2016, the Group is investing in an operation of a show tentatively titled “Dream Memory – Halong Bay” in Halong City, Vietnam (the “show”) in order to fully develop tourism resources in the city. The Group is responsible for development and operation of the show. The construction period of the show, including the production of script, construction of performance stage, training of performance actors/actresses. In April 2018, the Group has obtained the final approval and licenses from the Vietnam Central Government. The projected return of the show is expected to begin starting from year 2019. In recent years, the tourism industry in Vietnam has grown rapidly and the economic benefits are remarkable, of which Halong Bay is renowned for its natural landscape and scenic beauty. The show will be set in the middle of the sea in Halong Bay with mountains as its background, which reflects the harmonious atmosphere between human beings and the nature.

During the period, the contribution from our travel agency subsidiary – Incola Travel Limited contributed revenue of approximately HK\$1.2 million to the Group.

During the period, the contribution from our outbound travel, aircraft charter and business travel subsidiary – Arch Partners Holdings Limited contributed revenue of approximately HK\$137.9 million to the Group.

On 6 March 2017, the Group entered into a letter of intent (the “Letter of Intent”) with an independent third party. Pursuant to the Letter of Intent, the Group intends to acquire not more than 60% of the issued share capital in Chung Sun Financial Holding Limited (“Chung Sun”). Chung Sun and its subsidiaries are principally engaged in the business of trading securities. One of the wholly owned subsidiaries of Chung Sun has been granted Type 4 and 9 Licences by the Securities and Futures Commission of Hong Kong (the “SFC”). A refundable deposit of HK\$5,000,000 was paid upon signing the Letter of Intent. The Board is of the view that the proposed acquisition provides opportunities to the Group to broaden its business portfolio so as to improve the Group’s financial status in the long term. On 14 November 2017, the Group and another independent third party entered into the sale and purchase agreement pursuant to which the Group has conditionally agreed to purchase the sale shares (representing 40% of the issued share capital of Chung Sun) at the consideration of HK\$9,334,360. A deposit of HK\$5,000,000 was paid upon signing the sale and purchase agreement. On 10 August 2018, the Group has obtained the approval from the SFC for the transfer of Sales Shares.

The Group is committed to create a full chain of tourism industry. Given that there is tremendous growth potential of Cambodia tourism industry, the Group has established a subsidiary “Cambodian MJ Airlines Co., Ltd.” in Cambodia this year. The Group is obtained preliminary approval from government of Cambodia and is currently seeking permission from the Cambodian Aviation Authority to provide air services.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Facing the fierce competition of the EPS packaging industry in the PRC, the Group continues to take effort to maintain its competitiveness of packaging business including enhancing production technology and cost control, and on the other hand, explore other business opportunities with greater market potential in the PRC and Southeast Asia. As such, the Group has stepped into tourism, entertainment and cultural industries, which are considered as booming industries in recent years and are not significantly affected by economic cycle, through a series of acquisitions. To finance the operations, on 14 June 2018, the Group has entered into a private bond placing agreement with an aggregate principal amount up to HK\$150,000,000 which provide sufficient funding to the projects of the Group.

With strong management team who has solid experience in tourism, entertainment and cultural industries, the Company is optimistic about the prospects of the new projects in the PRC and Southeast Asia. It is expected that these new projects will generate considerable returns to the Group in the future. The Group will continue to review the performance of business portfolios and seek for other potential acquisition opportunities from time to time.

EVENTS AFTER THE REPORTING PERIOD

In respect of the 2-year 8% coupon secured and unlisted notes in an aggregate principal amount of HK\$280,000,000 (the “Notes”) by Equal Smart Global Limited (a wholly-owned subsidiary of the Company), the Group and the only holder of the Notes entered into a deed for the amendment of the instrument of the Notes on 20 July 2018, pursuant to which the maturity date of the Notes has been further extended from 21 July 2018 to 21 January 2019 with interest rate of 8.6% per annum for the extended period. The Notes were secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company. Details were set out in the announcements of the Company dated 20 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EVENTS AFTER THE REPORTING PERIOD *(Continued)*

After the Group sold 10,000,000 ICPS of Yong Tai in January 2018, the Group has remained holding 7,500,000 ICPS in Yong Tai. In July 2018, the Group further sold 5,000,000 ICPS of Yong Tai. After that, the Group has remained holding 2,500,000 ICPS of Yong Tai up to the date of this report.

SETTLEMENT OF PROFESSIONAL FEE BY MEANS OF ISSUE OF REMUNERATION SHARES

Mr. Han Ning has been the PRC legal advisor to the Company for the provision of the PRC legal advisory service to the Company. For the PRC legal advisory service provided to the Company by Mr. Han Ning, the PRC legal advisory fee has been settled by the issue of 12,500,000 remuneration shares to Mr. Han Ning at the market price of HK\$0.20 per remuneration share on 11 July 2018. The above newly issued shares rank pari passu in all respects with the existing shares.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

During the reporting period, save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals.

OTHER INFORMATION

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts conservative treasury policies in cash and financial management. As at 30 June 2018, the Group's current assets amounted to approximately HK\$1,304.5 million (31 December 2017: approximately HK\$1,225.2 million) of which approximately HK\$46.0 million (31 December 2017: approximately HK\$5.6 million) were financial assets at fair value through profit or loss and approximately HK\$114.7 million (31 December 2017: approximately HK\$115.9 million) were cash and bank balances. Cash and bank balances is mostly denominated in Hong Kong dollars and Renminbi. The Group's current liabilities amounted to approximately HK\$862.3 million (31 December 2017: approximately HK\$861.7 million) of which mainly comprised its trade and other payables of approximately HK\$321.7 million (31 December 2017: approximately HK\$184.7 million), notes payable of HK\$440 million (31 December 2017: HK\$464.0 million) and interest-bearing bank and other borrowings of approximately HK\$92.5 million (31 December 2017: approximately HK\$150.1 million), while the Group's non-current liabilities amounted to approximately HK\$67.7 million which mainly comprised of the deferred tax liabilities and bonds payable (31 December 2017: approximately HK\$12.5 million).

OTHER INFORMATION *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

As at 30 June 2018, the Group's interest-bearing bank and other borrowings of approximately HK\$92.5 million (31 December 2017: approximately HK\$150.1 million) were repayable within one year, which were secured by the Group's buildings, lease premium for land, trade receivables and pledged bank deposits. As at 30 June 2018, HK\$5.8 million (31 December 2017: Nil) and HK\$86.7 million (31 December 2017: HK\$150.1 million) were denominated in HK\$ and RMB, respectively. As at 30 June 2018, bank and other borrowings of approximately HK\$55.0 million (31 December 2017: HK\$52.6 million) and HK\$31.7 million (31 December 2017: HK\$97.5 million) were interest-bearing at fixed and variable interest rates of 5.0% to 5.7% and 4.35% to 5.0% (2017: 5.60% to 7.00% and 4.35% to 7.00%) respectively.

As at 30 July 2018, the Group had two outstanding interest-bearing notes. One with principal amount of HK\$280.0 million (31 December 2017: HK\$280.0 million) which was interest-bearing at 8.6% (2017: 8.6%) per annum, originally maturing on 21 April 2017. On 21 April 2017, 21 July 2017, 21 April 2018 and 20 July 2018, the Group and the only holder of the notes entered into deeds for the amendment of the instrument of the notes (the "Deeds of Amendment"). Pursuant to the Deeds of Amendment, the maturity date of the notes is extended from 21 July 2018 to 21 January 2019 with interest rate increased to 8.6% per annum for the extended period. The notes were secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company. Another interest-bearing note was issued in two tranches on 23 November 2016 and 4 January 2017 respectively, with aggregate principal amount of HK\$200.0 million which was interest-bearing at 10% per annum with a maturity of 1 year. The maturity date of the notes can be extended to 24 months, with the interest rate be increased to 13% per annum for the extended 12 months. The note was pledged by 1,397,000,000 ordinary shares of the Company provided by shareholders of the Company.

Furthermore, on 5 June 2017, the Company issued Bonds in an aggregate principal amount of HK\$10.0 million which carries 6% interest per annum with maturity date on 4 June 2024. On 14 June 2018, the Company and a Placing Agent entered into a Placing Agreement pursuant to which the Placing Agent has agreed to subscribe for the Bonds in an aggregate principal amount of up to HK\$150,000,000. On the same date, the independent third parties have subscribed the Bonds of HK\$55,000,000 issued by the Company. The bonds carry a fixed coupon rate of 6% per annum with interest being, paid annually and are due on 13 June 2020.

OTHER INFORMATION *(Continued)*

GEARING RATIO

As at 30 June 2018, the total tangible assets of the Group were approximately HK\$2,015.3 million (31 December 2017: approximately HK\$1,994.4 million) whereas the total liabilities were approximately HK\$930.0 million (31 December 2017: approximately HK\$874.3 million). The gearing ratio (total liabilities divided by total tangible assets) was approximately 46.1% (31 December 2017: approximately 43.8%).

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

ALLOTMENT AND ISSUE OF CONVERSION SHARES ON 13 APRIL 2018

On 21 April 2017, the Group completed the acquisition of Arch Partners Group at a consideration of approximately HK\$154.7 million and part of the aggregate consideration of the acquisition has been paid by the Company to the vendors by issuance of zero-coupon convertible bonds in the principal amount of up to HK\$112,000,000 subject to the fulfillment of profit guarantee requirements.

Given the profit guarantee requirements has been fulfilled, the convertible bonds has been converted into 560,000,000 shares, allotted and issued on 13 April 2018. The above newly issued shares rank pari passu in all respects with the existing shares.

ISSUE OF BONDS IN JUNE 2018

On 14 June 2018, the Company and the Placing Agent entered into a Placing Agreement pursuant to which the Placing Agent has agreed to procure Placees to subscribe for the Bonds in an aggregate principal amount of up to HK\$150,000,000 which carries 6% interest per annum with maturity of twenty-four months after the issue of Bonds.

As at 30 August 2018, 19 independent third parties has subscribed the Bonds in an aggregate principal amount of HK\$112,500,000 issued by the Company.

The net proceeds from the issue of the maximum principal amount of the Bonds (after deducting the related costs and expenses) are expected to be HK\$143.3 million. The net proceeds from the Bond issue are intended to be utilized for financing possible acquisitions and investment opportunities of the Company, repayment of liabilities when they fall due and/or general working capital of the Group.

OTHER INFORMATION *(Continued)*

PLEDGE OF ASSETS

In addition to the information disclosed elsewhere in the notes to the condensed consolidated interim financial information, as at 30 June 2018, the Group pledged assets with aggregate carrying value of HK\$66.3 million (as at 31 December 2017: HK\$85.2 million) to secure banking and other facilities and other borrowings. In addition, the Group has placed an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly owned subsidiary of the Company, to secure the notes payable of HK\$280.0 million (31 December 2017: HK\$280.0 million)

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

The Group adopt stringent financial management policies to maintain its financial condition. As at 30 June 2018, the Group's net assets were financed by internal resources, bank and other borrowings, bonds payable and notes payable. The Company's authorised share capital was HK\$375,000,000 divided into 30,000,000,000 shares of HK\$0.0125 each, of which 12,423,360,252 ordinary shares were issued and fully paid.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

HEDGING

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

OTHER INFORMATION *(Continued)*

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of around 684 (31 December 2017: 470) staff. The Group remunerates its employees based on their performance, experience and industry practices.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. Pursuant to a share option scheme adopted on 5 June 2015 (the "Share Option Scheme"), the Board may offer to grant any employee or director of the Company for the Share Option Scheme on the basis of his or her contribution to the Group, to subscribe for shares of the Company. For the year ended 31 December 2017, no share options were granted or exercised and 35,899,012 share options were forfeited. During the period, 1,035,289,025 share options were further granted, among the share options granted, a total of 315,586,706 share options were granted to the directors. As at 30 June 2018, 1,312,481,125 share options were outstanding. Subsequent to the end of the period, no additional share options have been granted to the employee or director of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as the code for Directors' securities transactions ("the Model Code"). Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2018, neither the Company, nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Corporate Governance Code (the "Code"), set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with applicable code provisions of Code for the six months ended 30 June 2018, except for certain deviations which are summarized below:

OTHER INFORMATION *(Continued)*

CODE PROVISION A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

For the annual general meetings held on 22 June 2018, Mr. Pang Hong and Mr. Li Yang, both being the independent non-executive Directors, were unable to attend the meeting due to their busy business schedules or other engagements.

The Company will endeavour to arrange the future general meeting with the presence of the non-executive director and independent non-executive directors so as to fulfill the requirement of Code Provision A.6.7.

CODE PROVISION E.1.2

Under Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company, and the chairman of the board committees and failing whom, another member of the relevant committee should be available to answer questions thereat. Due to prior business engagements, Mr. Wei Liyi, the chairman of the remuneration committee, was not able to attend the AGM held on 22 June 2018 in person, but he has already delegated to one of the executive Directors to answer questions on his behalf.

BOARD COMPOSITION

The Board currently comprises 7 directors, of which 3 are independent non-executive Directors.

During the six months ended 30 June 2018 and up to date of this report, changes of Board members are as follows:

On 6 August 2018, Mr. Cheng Chi Kin and Mr. Pang Hong resigned as an executive Director and an independent non-executive Director respectively.

AUDIT COMMITTEE

In accordance with the requirement of the Listing Rules, the Group established an Audit Committee comprising three independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

OTHER INFORMATION *(Continued)*

AUDIT COMMITTEE *(Continued)*

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Lee Tao Wai, Mr. Lam Hoi Lun and Mr. Li Yang.

The Group's unaudited condensed consolidated interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board of
Sino Haijing Holdings Limited
Li Zhenzhen
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises of Ms. Li Zhenzhen, Mr. Lam Wai Hung, Mr. Wang Xin and Mr. Wei Liyi as the executive Directors; Mr. Lee Tao Wai, Mr. Lam Hoi Lun and Mr. Li Yang as the independent non-executive Directors.

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