海航實業集團股份有限公司

HNA HOLDING GROUP CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of HNA Holding Group Co. Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017. These interim results have been reviewed by the Company's Audit Committee and its auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited) (restated)
Continuing operations			
Revenue	*3*	**134,124**	65,186
Cost of sales		**(65,027)**	(63,159)
Gross profit		**69,097**	2,027
Other income		**11,506**	17,350
Other gains and losses	*4*	**23,010**	67,202
Selling and distribution costs		**(3,215)**	(2,972)
Administrative expenses		**(49,357)**	(49,050)
Finance costs		**(69,685)**	(49,942)
Loss before tax		**(18,644)**	(15,385)
Income tax (expense) credit	*5*	**(6,977)**	2,256
Loss for the period from continuing operations	*6*	**(25,621)**	(13,129)
Discontinued operations			
Profit (loss) for the period from discontinued operations	*7*	**88,421**	(81,620)
Profit (loss) for the period		**62,800**	(94,749)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of financial statements from functional currency to presentation currency		**85,595**	(80,163)
Total comprehensive income (expense) for the period		**148,395**	(174,912)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited) (restated)
Profit (loss) for the period attributable to owners of the Company			
– from continuing operations		**(21,821)**	(6,971)
– from discontinued operations		**88,857**	(75,563)
Profit (loss) for the period attributable to owners of the Company		**67,036**	(82,534)
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(3,800)**	(6,158)
– from discontinued operations		**(436)**	(6,057)
Loss for the period attributable to non-controlling interests		**(4,236)**	(12,215)
		62,800	(94,749)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**140,479**	(152,955)
Non-controlling interests		**7,916**	(21,957)
		148,395	(174,912)
EARNINGS (LOSS) PER SHARE			
From continuing and discontinued operations	*8*		
Basic and diluted (HK cents)		**0.59**	(0.72)
From continuing operations			
Basic and diluted (HK cents)		**(0.19)**	(0.06)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTES	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**258,234**	260,655
Land use rights		**1,071,942**	1,059,477
Investment properties		**2,543,605**	2,447,621
Available-for-sale investments		**155,000**	155,000
Deposit paid for acquisition of subsidiaries		**83,454**	–
Club debentures		**700**	700
Amounts due from related companies		**2,489**	2,500
		4,115,424	3,925,953
Current assets			
Land use rights		**42,878**	41,548
Amounts due from related companies		**414,533**	908,065
Inventories		**7,098**	6,916
Trade receivables	*9*	**55,871**	27,040
Prepayments, deposits and other receivables		**26,077**	11,188
Pledged bank deposits		**34,539**	27,890
Bank balances and cash		**1,509,249**	1,085,447
		2,090,245	2,108,094
Assets associated with disposal group classified as held-for-sale	*7*	**–**	387,075
		2,090,245	2,495,169
Current liabilities			
Trade and bills payables	*10(a)*	**9,383**	7,021
Other payables, deposits received, receipt in advance and accruals	*10(b)*	**64,488**	107,952
Borrowings – due within one year		**42,598**	54,598
Amounts due to related companies		**1,384**	7,475
Tax liabilities		**13,986**	13,704
Deferred revenue		**47,189**	49,489
Obligations under finance leases		**–**	565
		179,028	240,804
Liabilities associated with disposal group classified as held-for-sale	*7*	**–**	396,961
		179,028	637,765
Net current assets		**1,911,217**	1,857,404
Total assets less current liabilities		**6,026,641**	5,783,357

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2017

	NOTES	**30 June 2017** *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Non-current liabilities			
Deferred revenue		**191,988**	193,909
Borrowings – due after one year		**1,301,433**	1,230,986
Convertible bonds		**350,068**	324,421
Embedded derivative components of convertible bonds		**46,396**	56,167
Deferred tax liabilities		**246,284**	237,406
Obligations under finance leases		**–**	1,706
		2,136,169	2,044,595
Net assets		**3,890,472**	3,738,762
Capital and reserves			
Share capital		**4,731,480**	4,731,480
Reserves		**(1,230,790)**	(1,329,029)
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	*7*	**–**	(42,240)
Equity attributable to owners of the Company		**3,500,690**	3,360,211
Non-controlling interests		**389,782**	378,551
Total equity		**3,890,472**	3,738,762

Notes:

1. GENERAL AND BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The financial information relating to the year ended 31 December 2016 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was modified and did not contain a statement under sections 407(2) and (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the "**CODM**"), being the chief executive officer of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments from continuing operations under HKFRS 8 "Operating Segments" are as follows:

Golf club and hotel business	–	Operation of golf club and provision of hotel and leisure services
Property investment business	–	Leasing of office properties and golf courses

3. SEGMENT INFORMATION (CONTINUED)

Since 2011, a reportable and operating segment namely the "Digital television technical solutions and equipment business" (the "**DTV Business**") was classified as a disposal group held-for-sale and included in discontinued operation. On 17 August 2016, the Company and Leader Concept (as defined in Note 7(a)), entered into the Agreement (as defined in Note 7(a)) to dispose of the DTV Business, together with the sales of light emitted diode business (the "**LED Business**"), which was once a reportable and operating segment of the Group. Accordingly, the assets and liabilities of the LED Business were classified as a disposal group held-for-sale and its income and expenses presented as a discontinued operation in the condensed consolidated financial statements for the six months ended 30 June 2016 in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". As such, the comparatives of these condensed consolidated statement of profit or loss and other comprehensive income have been restated. In 2016, a reportable and operating segment of the Group, namely "Intelligent Information Business" was discontinued as the Group has resolved to dispose it as detailed in Note 7(b). The segment information reported below does not include any amounts for these discontinued operations, which is described in more detail in Note 7.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

Continuing operations

For the six months ended 30 June 2017

	Golf club and hotel business *HK$'000* (unaudited)	Property investment business *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
SEGMENT REVENUE			
External sales	**74,615**	**59,509**	**134,124**
Segment (loss) profit	**(18,240)**	**60,858**	**42,618**
Unallocated income and gains			**9,708**
Unallocated expenses			**(38,168)**
Gain on fair value change of the embedded derivative components of convertible bonds			**9,771**
Finance costs			**(42,573)**
Loss before tax (continuing operations)			**(18,644)**

3. SEGMENT INFORMATION (CONTINUED)

(a) **Segment revenue and results (continued)**

Continuing operations (continued)

For the six months ended 30 June 2016

	Golf club and hotel business *HK$'000* (unaudited) (restated)
SEGMENT REVENUE	
External sales	65,186
Segment loss	(22,283)
Unallocated income and gains	60,976
Unallocated expenses	(34,563)
Gain on derecognition of the embedded derivative components of convertible bonds	11,996
Finance costs	(31,511)
Loss before tax (continuing operations)	(15,385)

Segment (loss) profit represents the (loss) profit from each segment without allocation of certain interest income, other miscellaneous income, certain gains and losses, corporate expenses and those disclosed in the reconciliation above. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

There was no inter-segment sales for the six months ended 30 June 2017 and 2016.

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable and operating segments:

	30 June 2017 ***HK$'000*** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Reportable segment assets		
Continuing operations		
Golf club and hotel business	**1,415,156**	1,397,788
Property investment business	**2,575,814**	2,449,925
	3,990,970	3,847,713
Reportable segment liabilities		
Continuing operations		
Golf club and hotel business	**520,666**	536,224
Property investment business	**27,461**	44,875
	548,127	581,099

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Gain on fair value change of the embedded derivative components of convertible bonds	**9,771**	–
Gain on derecognition of the embedded derivative components of convertible bonds	**–**	11,996
Gain on fair value changes of the investment properties	**15,428**	–
Net exchange (loss) gain	**(1,828)**	55,267
Gain on disposal of property, plant and equipment	**297**	–
Others	**(658)**	(61)
	23,010	67,202

5. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Current tax		
The United States Federal Income Tax (the "**US Federal Tax**")	**(7,775)**	–
Overprovision in prior year		
The People's Republic of China (the "**PRC**") Enterprise Income Tax	**2,150**	–
Deferred tax		
Current period	**(1,352)**	2,256
	(6,977)	2,256

5. INCOME TAX (EXPENSE) CREDIT (CONTINUED)

For the six months ended 30 June 2017 and 2016, no provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate for the Company's PRC subsidiaries is 25%. For the six months ended 30 June 2017 and 2016, no provision for the PRC Enterprise Income Tax has been made as the group entities subject to the PRC Enterprise Income Tax had no assessable profit for both periods.

The subsidiaries in the United States are subject to the US Federal Tax of 35% on the taxable income. Certain subsidiaries are limited liability companies which are treated by default as disregarded entities for federal tax purposes.

No provision for taxation in the United Kingdom (the "**UK**") has been made in the condensed consolidated financial statements as the Group did not generate assessable profits in the UK for the six months ended 30 June 2017.

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging (crediting):

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Amortisation of land use rights (included in cost of sales)	**21,128**	22,115
Depreciation of property, plant and equipment	**7,816**	8,311
Total depreciation and amortisation	**28,944**	30,426
Auditor's remuneration	**800**	1,531
Bank interest income	**(3,201)**	(3,529)
Interest income on amounts due from related companies	**–**	(11,643)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

Profit (loss) for the period from the discontinued operations is analysed as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Loss of DTV Business and LED Business	**–**	(66,945)
Loss of Intelligent Information Business	**(23,705)**	(14,675)
Gain on disposal of Intelligent Information Business	**112,126**	–
Profit (loss) for the period from discontinued operations	**88,421**	(81,620)
Profit (loss) for the period from discontinued operations attributable to:		
Owners of the Company	**88,857**	(75,563)
Non-controlling interests	**(436)**	(6,057)
	88,421	(81,620)

Assets and liabilities associated with discontinued operations are analysed as follows:

	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Assets associated with disposal group classified as held-for-sale		
Intelligent Information Business	**–**	387,075
Liabilities associated with disposal group classified as held-for-sale		
Intelligent Information Business	**–**	396,961
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale		
Intelligent Information Business	**–**	(42,240)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(a) DTV Business and LED Business (collectively referred to "DTV Disposal Group")

On 17 August 2016, the Company and Leader Concept Investments Limited ("**Leader Concept**"), a company which is ultimately controlled by HNA Group Co., Ltd. ("**HNA Group**"), the ultimate parent of the Company, entered into an agreement (the "**Agreement**") in relation to the disposal of the entire issued capital of South China Digital TV Holdings Limited and its subsidiaries, the then subsidiaries of the Company, by the Company to Leader Concept with a cash consideration of HK$1 (the "**Disposal**"). Pursuant to the Agreement, immediately prior to the completion of the Disposal, restructuring would have been completed such that the Disposal would include subsidiaries of the Company which are principally engaged in DTV Business and LED Business. After the completion of the Disposal, Leader Concept will procure the DTV Disposal Group to repay the shareholders' loan of HK$950,000,000 due to the Group (the "**Repayment Obligations**"). Leader Concept and the DTV Disposal Group are jointly and severally liable for the Repayment Obligations. The Disposal was completed on 17 October 2016. Accordingly, the income and expenses of DTV Disposal Group for the six months ended 30 June 2016 were presented as a discontinued operation in the condensed consolidated financial statements in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Details of the Disposal and Repayment Obligations are set out in the Company's announcement dated 17 August 2016 and the Company's circular dated 15 September 2016.

Loss for the six months ended 30 June 2016 from the discontinued operation in respect of the DTV Disposal Group was analysed as follows:

	HK$'000 (unaudited) (restated)
Revenue	438
Cost of sales	(57,741)
Gross loss	(57,303)
Other income	137
Other gains and losses	(3,642)
Administrative expenses	(4,632)
Finance costs	(1,505)
Loss before tax	(66,945)
Income tax expense	–
Loss for the period from discontinued operation and attributable to owners of the Company	(66,945)

7. **DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)**

(a) **DTV Business and LED Business (collectively referred to "DTV Disposal Group") (continued)**

Loss for the six months ended 30 June 2016 from discontinued operation in respect of the DTV Disposal Group had been arrived at after charging (crediting):

	HK$'000 (unaudited) (restated)
Amortisation of intangible assets (included in cost of sales)	10,261
Increase in fair value changes of investment properties	(1,591)
Depreciation of property, plant and equipment	49,188
Bank interest income	(51)
Rental income from leasing of investment properties	(28)

Cash flows for the six months ended 30 June 2016 from the discontinued operation in respect of the DTV Disposal Group were as follows:

	HK$'000 (unaudited) (restated)
Net cash outflows used in operating activities	(12,158)
Net cash outflows used in investing activities	(83)
Repayments of bank borrowings	(78,382)
Advance from group entities	89,656
Net cash inflows from financing activities	11,274
Net cash outflows	(967)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) Intelligent Information Business

On 13 January 2016, the Company entered into a sale and purchase agreement with an independent third party in relation to the proposed disposal of the entire issued share capital of Made Connection Limited ("**Made Connection**"), a then subsidiary of the Company, after restructuring as required (the "**Intelligent Information Business Disposal Group**") at a cash consideration of RMB120,000,000 (the "**Intelligent Information Business Disposal**"). Pursuant to the sale and purchase agreement, immediately upon the completion of the sale and purchase agreement, all intercompany balances between the Intelligent Information Business Disposal Group and the remaining group entities should be irrevocably waived on a dollar-to-dollar basis. Details are set out in the announcement of the Company dated 13 January 2016. Made Connection and its subsidiaries are mainly engaged in the Intelligent Information Business. The Intelligent Information Business Disposal was approved by the shareholders of the Company on 22 February 2016 and completed on 28 April 2017.

A reportable and operating segment namely "Intelligent Information Business" was classified as a disposal group held-for-sale at 31 December 2016 and included in a discontinued operation for the six months ended 30 June 2016 and 2017.

Loss for the period from the discontinued operation in respect of the Intelligent Information Business is analysed as follows:

	Period from 1 January 2017 to 28 April 2017 (date of disposal) *HK$'000* **(unaudited)**	Six months ended 30 June 2016 *HK$'000* (unaudited)
Revenue	**47,227**	85,704
Cost of sales	**(42,707)**	(75,374)
Gross profit	**4,520**	10,330
Other income	**22**	107
Other expense	**(198)**	(390)
Other gains and losses	**(22,663)**	(11,930)
Selling and distribution costs	**(491)**	(1,807)
Administrative expenses	**(2,830)**	(6,920)
Finance costs	**(2,065)**	(4,065)
Loss before tax	**(23,705)**	(14,675)
Income tax expense	**–**	–
Loss for the period from discontinued operation	**(23,705)**	(14,675)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) Intelligent Information Business (continued)

Assets and liabilities associated with the Intelligent Information Business Disposal Group classified as held-for-sale as at 31 December 2016 in relation to the Intelligent Information Business are analysed as follows:

	HK$'000 (audited)
Property, plant and equipment	4,790
Available-for-sale investments	791
Intangible assets	2,335
Inventories	654
Trade and bills receivables *(note i)*	77,928
Prepayments, deposits and other receivables	187,290
Amounts due from customers for contract work	93,295
Tax recoverable	4,891
Pledged bank deposits	9,347
Bank balances and cash	5,754
Amounts due from group entities	127,888
Total assets associated with Intelligent Information Business classified as held-for-sale	514,963
Less: Amounts due from group entities	(127,888)
Assets associated with Intelligent Information Business classified as held-for-sale	387,075
Trade payables *(note ii)*	99,415
Other payables, receipt in advance and accruals	135,195
Financial guarantee liabilities	9,258
Tax liabilities	368
Bank borrowings	113,679
Amounts due to group entities	1,010,342
Total liabilities associated with Intelligent Information Business classified as held-for-sale	1,368,257
Deposit received from purchaser relating to disposal of Intelligent Information Business	39,046
Total liabilities associated with Intelligent Information Business classified as held-for-sale	1,407,303
Less: Amounts due to group entities	(1,010,342)
Liabilities associated with Intelligent Information Business classified as held-for-sale	396,961
Amounts recognised in other comprehensive income and accumulated in equity relating to Intelligent Information Business classified as held-for-sale	(42,240)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) Intelligent Information Business (continued)

For presentation in the consolidated statement of financial position as at 31 December 2016, the amounts due from group entities and amounts due to group entities amounting to HK$127,888,000 and HK$1,010,342,000 respectively have been excluded from the total assets and total liabilities associated with the Intelligent Information Business classified as held-for-sale.

Loss for the period from discontinued operation in respect of the Intelligent Information Business Disposal Group has been arrived at after charging (crediting):

	Period from 1 January 2017 to 28 April 2017 (date of disposal) ***HK$'000*** **(unaudited)**	Six months ended 30 June 2016 *HK$'000* (unaudited)
Amortisation of intangible assets (included in cost of sales)	**94**	34
Auditor's remuneration	**–**	90
Research and development expense (included in other expenses)	**198**	390
Depreciation of property, plant and equipment	**344**	653
Loss on issuing financial guarantee contracts	**–**	3,788
Amortisation of financial guarantee contracts	**–**	(1,316)
Impairment loss recognised in respect of trade receivables	**–**	7,171
Impairment loss recognised in respect of amounts due from customers for contract work	**–**	2,231
Bank interest income	**(22)**	(107)

Cash flows for the period from the discontinued operation in respect of the Intelligent Information Business Disposal Group are as follows:

	HK$'000 **(unaudited)**
For the period from 1 January 2017 to 28 April 2017 (date of disposal)	
Net cash inflows from operating activities	**5,781**
Net cash inflows from investing activities	**6,147**
Net cash outflows used in financing activities	**(16,925)**
Net cash outflows	**(4,997)**

	HK$'000 (unaudited)
For the six months ended 30 June 2016	
Net cash outflows used in operating activities	(5,643)
Net cash outflows used in investing activities	(279)
Net cash outflows used in financing activities	(8,313)
Net cash outflows	(14,235)

7. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) Intelligent Information Business (continued)

(i) Trade and bills receivables

Trading terms with customers are on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 90 days upon issuance. Each customer has a designated credit limit.

An aged analysis of the trade and bills receivables associated with the Intelligent Information Business Disposal Group classified as held-for-sale as at 31 December 2016, based on invoice date, and net of allowance for doubtful debts, is as follows:

	HK\$'000 (audited)
0 – 90 days	45,916
91 – 180 days	1,409
181 – 365 days	10,665
1 – 2 years	19,938
	77,928

Included in the above balances are debtors with an aggregate carrying amount of HK$32,012,000 which are past due as at 31 December 2016 for which the Intelligent Information Business Disposal Group had not provided for impairment loss. The Intelligent Information Business Disposal Group does not hold any collateral over these balances.

Allowance for doubtful debts amounted to HK$50,829,000 as at 31 December 2016 and represent individually impaired trade receivables.

(ii) Trade payables

An aged analysis of the trade payables associated with the Intelligent Information Business Disposal Group classified as held-for-sale as at 31 December 2016 based on the invoice date is as follows:

	HK\$'000 (audited)
0 – 90 days	63,646
91 – 180 days	21,451
181 – 365 days	74
1 – 2 years	4,320
Over 2 years	9,924
	99,415

8. EARNINGS (LOSS) PER SHARE

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit (loss) figures are calculated as follows:		
Profit (loss) for the period attributable to owners of the Company	**67,036**	(82,534)
Less: Profit (loss) for the period from discontinued operations	**88,857**	(75,563)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(21,821)**	(6,971)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**11,399,996**	11,399,996

The computation of diluted loss per share for the six months ended 30 June 2017 does not assume exercise of (1) conversion of convertible bonds issued by the Company on 30 May 2016 ("**2016 Convertible Bonds**") because the assumed exercise of conversion of 2016 Convertible Bonds would result in anti-dilutive and (2) share options because the exercise price of those options was higher than average market price for shares.

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume exercise of share options and conversion of convertible bonds matured on 5 June 2016 ("**New Convertible Bond I**") because the assumed exercise of share options and conversion of New Convertible Bond I would result in decrease in loss per share from continuing operations.

8. EARNINGS (LOSS) PER SHARE (CONTINUED)

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the purpose of basic and diluted earnings (loss) per share (Profit (loss) for the period attributable to owners of the Company)	**67,036**	(82,534)

The Company uses loss from continuing operations attributable to owners of the Company as the control number to establish whether potential ordinary shares are dilutive or anti-dilutive. The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing operations.

From discontinued operations

Basic and diluted earnings (loss) per share for the discontinued operations is HK0.78 cents per share (six months ended 30 June 2016: HK(0.66) cents per share, as restated).

The calculation of basic and diluted earnings (loss) per share from discontinued operations attributable to owners of the Company are based on the following data:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share attributable to owners of the Company	**88,857**	(75,563)

The Company uses loss from continuing operations attributable to owners of the Company as the control number to establish whether potential ordinary shares are dilutive or anti-dilutive. The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing operations.

9. TRADE RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable upon issuance. Each customer has a designated credit limit.

The following is an aged analysis of the trade receivables as at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
0 – 90 days	**41,397**	20,171
91 – 180 days	**6,987**	543
181 – 365 days	**5,843**	6,326
1 – 2 years	**1,644**	–
	55,871	27,040

10. TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED, RECEIPT IN ADVANCE AND ACCRUALS

(a) Trade and bills payables

The following is an aged analysis of the trade and bills payables based on the invoice date as at the end of the reporting period:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
0 – 90 days	**5,682**	1,451
91 – 180 days	**1,478**	3,908
181 – 365 days	**857**	302
1 – 2 years	**6**	–
Over 2 years	**1,360**	1,360
	9,383	7,021

(b) Other payables, deposits received, receipt in advance and accruals

At 30 June 2017 and 31 December 2016, the balance mainly represented other taxes payables, rental income receipt in advance and accrued staff costs for continuing operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2017 continued to be a development period for the Group. The Group successfully disposed of the loss-making Intelligent Information Business in April 2017 at a consideration of RMB120.0 million, and a special gain on disposal of HK$112.1 million has been recognised as a result. Besides, the Group publicly announced its plan to make a pre-conditional voluntary general offer to acquire all the issued and paid-up shares from shareholders of CWT Limited, a Singapore based integrated logistics solution provider. Such acquisition is an important milestone for the Group to further develop into a leading diversified international investment company. It is expected that this acquisition will be completed in the second half of 2017.

In the prior year, the Group successfully acquired a Grade A office building, known as "17 Columbus Courtyard" situated in Canary Wharf, London in July 2016; and a portfolio of 8 golf courses in Seattle, Washington State, the United States of America (the "**US**") in December 2016. These two important acquisitions generated stable lease income to the Group in the current period.

The Company's golf club and hotel business in China had recorded improved operating results in the first half of the year. Revenue of this business segment is mainly contributed by the green fees and revenue from the hotel, followed by the club membership fee income. Weather conditions directly affect most of the revenue contributors in this business segment. During the period, the golf course was closed for 40 hours due to bad weather as compared to 375.5 hours in the prior period, which significantly improved the operating results of this business segment.

The Group recorded total revenue from continuing operations of HK$134.1 million during the six months ended 30 June 2017, representing an increase of HK$68.9 million or 105.7% as compared to HK$65.2 million, as restated, during the first half of 2016. The increase in revenue was mainly contributed by the lease income generated from the Group's property investments in the United Kingdom (the "**UK**") and the US newly acquired in 2016.

After putting efforts in disposing loss-making businesses and acquiring businesses which deliver stable cash flows and offer great growth prospects over the year, the Group reported a profit attributable to equity holders of the Company in the amount of HK$67.0 million (six months ended 30 June 2016: loss of HK$82.5 million).

FINANCIAL REVIEW

Continuing operations

The Analysis of Revenue

The Group's revenue from continuing operations is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Golf club and hotel business – Dongguan Hillview	**74,615**	65,186
Property investment business – UK office building	**31,819**	–
Property investment business – US golf courses	**27,690**	–
	134,124	65,186

Revenue from golf club and hotel business of Dongguan Hillview amounted to HK$74.6 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$65.2 million). The prior period revenue generated from the golf club and hotel business was adversely affected by the persistent bad weather, and the golf course had been closed down for 375.5 hours during the period. While in the current period, the weather conditions were more favourable to the golf course operations in the Dongguan area, and the golf course was closed for only 40 hours during the period, revenue was thus increased significantly by HK$9.4 million or 14.4%.

Rents from both of the UK office building and the US golf courses are charged at a fixed annual basis and payments are made on a quarterly basis during the lease term. The UK office building was acquired on 12 July 2016, and the current annual lease income amounted to approximately GBP6.4 million (equivalent to HK$63.3 million). The US golf courses were acquired on 17 December 2016, which generates annual lease income of approximately US$7.1 million (equivalent to approximately HK$55.4 million).

Cost of sales

Cost of sales of the Group mainly arise from the golf club and hotel operations in Dongguan. Cost of sales for the first half of 2017 amounted to HK$65.0 million (six months ended 30 June 2016: HK$63.2 million, as restated), represented an increase of HK$1.8 million or 2.8% as compared to prior period's cost of sales. The increase in cost of sales was in line with the increase in revenue from the golf club and hotel operations.

Other income

Other income of the Group mainly comprised of bank interest income and other interest income, which dropped by approximately HK$5.8 million or 33.4% as compared to the prior period. Certain loans previously advanced to related companies were offset with relevant amounts due to related companies in the prior year and interest income from the amounts due therefrom decreased accordingly, which led to a decrease in other income for the current period.

Selling and distribution costs

Selling and distribution costs for the six months ended 30 June 2017 increased by HK$243,000 or 8.2% as compared to that in the prior period. The increase was mainly resulted from the additional promotional expenses incurred for promoting the Dongguan Hillview golf club during the period.

Administrative expenses

Administrative expenses mainly comprised of staff costs, rental expenses, legal and professional fees and bank charges, which were maintained at a stable level as compared to the prior period.

Finance costs

Finance costs for the six months ended 30 June 2017 amounted to HK$69.7 million (six months ended 30 June 2016: HK$49.9 million). The increase in finance cost was mainly attributable to the interest expense charged for the convertible bonds issued in July 2016.

Discontinued operations

Intelligent Information Business

The Intelligent Information Business segment refers to the development and provision of system integration solutions, system design and sales of system hardware. Pursuant to the sales and purchase agreement entered into on 13 January 2016, the Group completed the disposal of this business segment on 28 April 2017 at a cash consideration of RMB120.0 million (equivalent to HK$135.4 million). The gain from discontinued operations for the period of HK$88.4 million comprised of the disposal gain of approximately HK$112.1 million and the operating loss of this business segment for the period from 1 January 2017 to 28 April 2017 (date of disposal) of HK$23.7 million.

Revenue of this segment amounted to HK$47.2 million for the period under review (six months ended 30 June 2016: HK$85.7 million) with operating loss of HK$23.7 million (six months ended 30 June 2016: HK$14.7 million).

LIQUIDITY AND FINANCING ACTIVITIES

As at 30 June 2017, the Group had cash and cash equivalents of HK$1,509.2 million, and the total bank borrowings amounted to HK$1,344.0 million, of which HK$42.6 million were repayable within one year and the remaining balance of HK$1,301.4 million were not repayable within one year. Amongst the borrowings, 100.0% is pledged with land use rights, buildings, investment properties and pledged bank deposits.

At 30 June 2017, the consolidated net debt of the Group comprising bank borrowings and convertible bonds (collectively referred as "**Total Debt**"), minus pledged bank deposits, bank balances and cash amounted to HK$150.3 million, and the total capital (measured as Total Debt plus equity attributable to owners of the Company) amounted to HK$5.2 billion. The Group's gearing ratio (net debt to total capital) as at 30 June 2017 was 2.9% (31 December 2016: 11.0%).

During the six months ended 30 June 2017, the Group had net increase in bank borrowing of HK$58.4 million.

As further explained in the "Material Acquisitions, Disposals, Significant Investments and Future Plans of Material Investment" section below, subject to the fulfillment of certain pre-conditions, the Group will make a voluntary conditional offer for all the issued and paid-up ordinary shares of CWT Limited ("**CWT Shares**"). The estimated amount payable by the Group in respect of this proposed offer amounted to S$1,398.7 million (equivalent to approximately HK$7,692.9 million). The funds required by the Group to satisfy the offer price payable under the offer will be satisfied by cash. The amount of cash and cash equivalents of the Group as at 30 June 2017 was HK$1,509.2 million. The offer is intended to be financed by a combination of the Group's internal resources, external financing and an interest-free unsecured fund of up to S$1,400.0 million (equivalent to HK$7,700.0 million) to be provided by associates of HNA Group Co., Ltd.*(海航集團有限公司), the ultimate holding company of the Company, to the Company pursuant to a definitive agreement entered into between the Company, HNA Group (International) Company Limited and Hong Kong HNA Holding Group Co. Limited.

CAPITAL STRUCTURE

There was no change in the total number of issued shares of the Company during the six months ended 30 June 2017. The total number of issued shares of the Company remained at 11,399,996,101 shares as at 30 June 2017.

CHARGE ON ASSETS

As at 30 June 2017, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

(a) Land use rights, hotel and buildings in Dongguan with an aggregate net carrying value of HK$1,352.6 million;

(b) The investment property in the UK of HK$1,421.2 million; and

(c) Bank deposits of approximately HK$34.5 million.

FOREIGN CURRENCY EXPOSURE

The existing operations and investments of the Group are mainly in Mainland China, Hong Kong, the UK and the US, with revenue and expenditure denominated in Hong Kong dollars, Pound sterling, United States dollars and Renminbi. To minimise currency exposure, non-Hong Kong dollar assets are usually financed in the same currency. The Group regularly reviews its foreign currency exposure and may consider using financial instruments to hedge against such exposure when appropriate. As at 30 June 2017, there was no derivative financial instruments employed by the Group.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities.

MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS OF MATERIAL INVESTMENT

Disposal of Intelligent Information Business

The Group entered into a sale and purchase agreement with an independent third party for the disposal of the Intelligent Information Business on 13 January 2016, and the disposal was completed on 28 April 2017 and a gain on disposal of HK$112.1 million has been recognised as a result.

The circular of the Company dated 17 March 2016 disclosed that the estimated gain on disposal of the Intelligent Information Business Disposal Group was expected to be HK$24.5 million. Such expected gain were at that time determined with reference to the difference between the consideration of RMB120.0 million and the unaudited consolidated net liabilities of the Intelligent Information Business Disposal Group as at 30 November 2015 and also took into account the waiver of intercompany balances between the Intelligent Information Business Disposal Group and the Group excluding the Intelligent Information Business Disposal Group as at 30 November 2015.

Since the completion took place on 28 April 2017 and the Intelligent Information Business Disposal Group made a loss of approximately HK$90 million during the period from 30 November 2015 to 28 April 2017 (these losses have been included as "loss for the year/period from discontinued operations" in the profit or loss of the Group during the relevant period), its net liabilities position increased and, as a result, the gain on disposal on the completion date of 28 April 2017 significantly increased to HK$112.1 million.

Proposed acquisition of CWT Limited

On 9 April 2017, the Company made a public announcement that, subject to the fulfilment or waiver (as applicable) of certain pre-conditions ("**Pre-Conditions**"), HNA Belt and Road Investments (Singapore) Pte. Ltd. (the "**Offeror**"), a wholly-owned subsidiary of the Company, will make a voluntary conditional offer for all the CWT Shares (the "**Offer**"). CWT Limited is incorporated in Singapore and the shares of which are listed on the Singapore Exchange Securities Trading Limited.

The offer price for each ordinary share of CWT Limited shall be S$2.33, which will be satisfied in cash. As at the date of the public announcement and based on publicly available information, CWT Limited has 600,304,650 issued and paid-up CWT Shares, and accordingly, the offer is valued at S$1,398.7 million (equivalent to approximately HK$7,692.9 million).

The proposed acquisition is still subject to the fulfilment or waiver of certain Pre-Conditions, including but not limited to the approval by the shareholders of the Company at the general meeting.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 766 employees as at 30 June 2017. The Group's remuneration policies are to ensure the remuneration package as a whole is fair and competitive, motivate and retain current employees and attract potential talent. These remuneration packages have already carefully taken into account, amongst other aspects, the Group's businesses in different local geographic locations. The employees' remuneration packages are comprised of salaries and discretionary bonuses, along with retirement schemes, medical insurance and share options which form a part of welfare benefits.

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% (2016: 8% to 20%) of its payroll costs to the retirement benefit scheme. The obligation of the Group with respect to the retirement benefit scheme is to make the specific contribution.

BUSINESS PROSPECTS

We remain positive on the outlook for our existing businesses. While competition, government policies and weather conditions are likely to continue to impact the performance of the golf club and hotel business of Dongguan Hillview, we are cautiously optimistic on its outlook for the remainder of 2017 and beyond given the prevailing strong economic performance in the region. Despite recent events in London and the UK, the outlook for London's Grade A commercial market remains relatively stable. Our Grade A commercial building, known as "17 Columbus Courtyard", situated in Canary Wharf, London is let to an international reputable investment bank till November 2024 with a tenant option to renew for another 15 years. It is expected that this property investment will provide us with steady rental income. We are of the view that the US economy is likely to experience continued improvement in the remainder of 2017 and going forward. The Group's portfolio of 8 golf courses in Washington State, US will contribute annual rental income of US$7.1 million to us until 2021.

We have been, and will continue to, actively assess the global market for attractive investment opportunities to complement our existing businesses to further develop ourselves into a leading diversified international investment company. As part of our development strategy, we mainly focus on merger and acquisition opportunities in international markets. In particular, we seek merger and acquisition targets in sectors including logistics real estate, logistic warehousing, bulk commodity trading, logistics finance, logistics transport facilities, oil storage, marketing and transportation assets while closely monitoring the economic and trade development situation in the "Belt and Road Initiative", Southeast Asia, and other regions (including Hong Kong). We believe that the "Belt and Road Initiative" has the potential to drive future global trade flow, which may have a positive impact on logistics services, financial services and commodity marketing.

In line with our development strategy, on 9 April 2017 we announced that, subject to the fulfilment or waiver of certain pre-conditions, we would make a voluntary conditional offer for all the issued and fully paid-up shares from the shareholders of CWT Limited in accordance with the Singapore Takeovers Code on the basis of S$2.33 in cash for each share. Subsequently on 30 June 2017 we issued a circular to our shareholders for a very substantial acquisition in relation to the pre-conditional voluntary general offer to acquire all the issued and fully paid-up CWT Shares other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees. CWT Limited has a strong market position in its logistics services division and is well diversified through revenues from its engineering services, financial services and commodity marketing divisions. We believe that the potential acquisition is strategically beneficial to us for the following reasons: leverage an established international business platform and management team to identify and develop new business opportunities; become a leading logistics player with a global reach; further diversify our property investment business with a large, high quality real estate portfolio and enhance services and capabilities; capitalise on a well-established commodity marketing and financial services platform; be better positioned to take advantage of China's "Belt and Road Initiative".

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited or otherwise) during the period under review.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2017.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to the management and all our staff for their hard work and dedication throughout the period.

By order of the Board
HNA Holding Group Co. Limited
Xu Haohao
Executive Director

Hong Kong, 25 August 2017

As at the date of this announcement, the Board comprises Mr. Zhao Quan (Executive Director and Co-Chairman), Mr. Wang Shuang (Executive Director and Co-Chairman), Mr. Xu Haohao (Executive Director and President), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Wang Hao (Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director) and Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director).

* *for identification purpose only*