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## **CWT INTERNATIONAL LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 521)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of CWT International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019. These interim results have been reviewed by the Company’s Audit Committee.

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

*For the six months ended 30 June 2019 – unaudited*

|                                                            |             | <b>Six months ended 30 June</b> |                   |
|------------------------------------------------------------|-------------|---------------------------------|-------------------|
|                                                            |             | <b>2019</b>                     | <b>2018</b>       |
|                                                            | <i>NOTE</i> | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|                                                            |             |                                 | <i>(restated)</i> |
| <b>Continuing operations</b>                               |             |                                 |                   |
| Revenue                                                    | 5           | <b>29,638,207</b>               | 36,122,056        |
| Cost of sales                                              |             | <b>(28,830,310)</b>             | (35,225,117)      |
| Gross profit                                               |             | <b>807,897</b>                  | 896,939           |
| Other income                                               |             | <b>134,207</b>                  | 101,814           |
| Other net gain/(loss)                                      | 7           | <b>6,078</b>                    | (80,657)          |
| Selling and distribution costs                             |             | <b>(227,230)</b>                | (207,014)         |
| Administrative expenses                                    |             | <b>(422,045)</b>                | (610,971)         |
| Finance costs                                              | 8           | <b>(411,789)</b>                | (422,589)         |
| Share of profits less losses of associates, net of tax     |             | <b>11,215</b>                   | 10,918            |
| Share of profits less losses of joint ventures, net of tax |             | <b>2,249</b>                    | 10,853            |
| Loss before taxation                                       | 9           | <b>(99,418)</b>                 | (300,707)         |
| Income tax                                                 | 10          | <b>(27,735)</b>                 | (17,029)          |
| Loss for the period from continuing operations             |             | <b>(127,153)</b>                | (317,736)         |
| <b>Discontinued operations</b>                             |             |                                 |                   |
| Loss for the period from discontinued operations           | 4           | <b>(121,567)</b>                | (255,643)         |
| Loss for the period                                        |             | <b>(248,720)</b>                | (573,379)         |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED**

*For the six months ended 30 June 2019 – unaudited*

|                                                                                                | <b>Six months ended 30 June</b> |                         |
|------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|
|                                                                                                | <b>2019</b>                     | <b>2018</b>             |
|                                                                                                | <b>HK\$'000</b>                 | <b>HK\$'000</b>         |
|                                                                                                |                                 | (restated)              |
| <b>Other comprehensive income:</b>                                                             |                                 |                         |
| <i>Items that will not be reclassified to profit or loss:</i>                                  |                                 |                         |
| Defined benefit plan remeasurements                                                            | (13,067)                        | 6,459                   |
| Tax on other comprehensive income                                                              | <u>1,254</u>                    | <u>(628)</u>            |
|                                                                                                | <u>(11,813)</u>                 | <u>5,831</u>            |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                          |                                 |                         |
| Exchange differences arising from translation of financial statements of overseas subsidiaries | (20,228)                        | 23,573                  |
| Effective portion of changes in fair value of cash flow hedges                                 | 48                              | –                       |
| Share of other comprehensive income of associates and joint ventures                           | <u>(7,863)</u>                  | <u>126</u>              |
|                                                                                                | <u>(28,043)</u>                 | <u>23,699</u>           |
| Other comprehensive income for the period, net of tax                                          | <u>(39,856)</u>                 | <u>29,530</u>           |
| Total comprehensive income for the period                                                      | <u><u>(288,576)</u></u>         | <u><u>(543,849)</u></u> |

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED**

*For the six months ended 30 June 2019 – unaudited*

|                                                                        |             | <b>Six months ended 30 June</b> |                 |
|------------------------------------------------------------------------|-------------|---------------------------------|-----------------|
|                                                                        |             | <b>2019</b>                     | <b>2018</b>     |
|                                                                        | <i>NOTE</i> | <i>HK\$'000</i>                 | <i>HK\$'000</i> |
|                                                                        |             |                                 | (restated)      |
| Loss for the period attributable to owners of the Company              |             |                                 |                 |
| – from continuing operations                                           |             | <b>(140,977)</b>                | (336,951)       |
| – from discontinued operations                                         |             | <b>(119,734)</b>                | (219,539)       |
| Loss for the period attributable to owners of the Company              |             | <b>(260,711)</b>                | (556,490)       |
| Profit/(loss) for the period attributable to non-controlling interests |             |                                 |                 |
| – from continuing operations                                           |             | <b>13,824</b>                   | 19,215          |
| – from discontinued operations                                         |             | <b>(1,833)</b>                  | (36,104)        |
| Profit/(loss) for the period attributable to non-controlling interests |             | <b>11,991</b>                   | (16,889)        |
| Loss for the period                                                    |             | <b>(248,720)</b>                | (573,379)       |
| Total comprehensive income attributable to:                            |             |                                 |                 |
| Owners of the Company                                                  |             | <b>(301,084)</b>                | (520,382)       |
| Non-controlling interests                                              |             | <b>12,508</b>                   | (23,467)        |
|                                                                        |             | <b>(288,576)</b>                | (543,849)       |
| <b>LOSS PER SHARE</b>                                                  | <b>12</b>   |                                 |                 |
| From continuing and discontinued operations                            |             |                                 |                 |
| Basic and diluted ( <i>HK cents</i> )                                  |             | <b>(2.29)</b>                   | (4.88)          |
| From continuing operations                                             |             |                                 |                 |
| Basic and diluted ( <i>HK cents</i> )                                  |             | <b>(1.24)</b>                   | (2.96)          |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2019 – unaudited*

|                                                                                              |             | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|----------------------------------------------------------------------------------------------|-------------|-------------------------|---------------------|
|                                                                                              | <i>NOTE</i> | <i>HK\$'000</i>         | <i>HK\$'000</i>     |
| <b>Non-current assets</b>                                                                    |             |                         |                     |
| Property, plant and equipment                                                                |             | <b>4,060,369</b>        | 4,353,433           |
| Land use rights                                                                              |             | –                       | 996,948             |
| Right-of-use assets                                                                          | 3           | <b>3,547,490</b>        | –                   |
| Investment properties                                                                        |             | –                       | 840,413             |
| Intangible assets                                                                            |             | <b>314,868</b>          | 335,159             |
| Interest in associates                                                                       |             | <b>189,133</b>          | 198,719             |
| Interest in joint ventures                                                                   |             | <b>265,197</b>          | 276,444             |
| Other financial assets                                                                       |             | <b>150,879</b>          | 153,050             |
| Prepayments, deposits and other receivables                                                  |             | <b>58,668</b>           | 70,815              |
| Other non-current assets                                                                     |             | <b>19,360</b>           | 19,579              |
| Derivative financial instruments                                                             |             | –                       | 53,649              |
| Deferred tax assets                                                                          |             | <b>25,412</b>           | 26,331              |
|                                                                                              |             | <b>8,631,376</b>        | 7,324,540           |
| <b>Current assets</b>                                                                        |             |                         |                     |
| Land use rights                                                                              |             | –                       | 42,423              |
| Other financial assets                                                                       |             | <b>932,666</b>          | 1,648,843           |
| Inventories                                                                                  |             | <b>2,000,027</b>        | 2,755,562           |
| Trade receivables                                                                            | 13          | <b>4,114,381</b>        | 4,910,431           |
| Prepayments, deposits and other receivables                                                  |             | <b>5,684,749</b>        | 4,776,127           |
| Contract assets                                                                              |             | <b>98,528</b>           | 75,758              |
| Warrantable LME commodities                                                                  |             | <b>79,885</b>           | 67,322              |
| Derivative financial instruments                                                             |             | <b>483,894</b>          | 1,255,379           |
| Tax recoverable                                                                              |             | <b>33,903</b>           | 10,161              |
| Pledged bank deposits                                                                        |             | <b>58,502</b>           | 13,119              |
| Cash and cash equivalents                                                                    |             | <b>1,090,877</b>        | 1,724,847           |
|                                                                                              |             | <b>14,577,412</b>       | 17,279,972          |
| Assets associated with disposal groups and<br>non-current assets classified as held-for-sale | 4           | <b>3,335,616</b>        | 1,207,048           |
|                                                                                              |             | <b>17,913,028</b>       | 18,487,020          |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED**

*At 30 June 2019 – unaudited*

|                                                                            |             | <b>30 June<br/>2019</b> | <b>31 December<br/>2018</b> |
|----------------------------------------------------------------------------|-------------|-------------------------|-----------------------------|
|                                                                            | <i>NOTE</i> | <i>HK\$'000</i>         | <i>HK\$'000</i>             |
| <b>Current liabilities</b>                                                 |             |                         |                             |
| Contract liabilities                                                       |             | <b>286,578</b>          | 148,797                     |
| Trade and other payables                                                   | 14          | <b>7,325,865</b>        | 8,870,232                   |
| Loans and borrowings                                                       |             | <b>6,409,882</b>        | 7,947,471                   |
| Lease liabilities                                                          | 3           | <b>399,420</b>          | –                           |
| Employee benefits                                                          |             | <b>11,553</b>           | 13,253                      |
| Derivative financial instruments                                           |             | <b>491,919</b>          | 693,003                     |
| Current tax payable                                                        |             | <b>99,686</b>           | 142,967                     |
| Deferred gains                                                             |             | –                       | 17,707                      |
| Provisions                                                                 |             | <b>30,959</b>           | 32,235                      |
|                                                                            |             | <b>15,055,862</b>       | 17,865,665                  |
| Liabilities associated with disposal groups<br>classified as held-for-sale | 4           | <b>1,692,260</b>        | –                           |
|                                                                            |             | <b>16,748,122</b>       | 17,865,665                  |
| <b>Net current assets</b>                                                  |             | <b>1,164,906</b>        | 621,355                     |
| <b>Total assets less current liabilities</b>                               |             | <b>9,796,282</b>        | 7,945,895                   |
| <b>Non-current liabilities</b>                                             |             |                         |                             |
| Contract liabilities                                                       |             | –                       | 140,650                     |
| Other non-current liabilities                                              |             | <b>6,149</b>            | 6,120                       |
| Loans and borrowings                                                       |             | <b>1,134,959</b>        | 1,721,507                   |
| Lease liabilities                                                          | 3           | <b>3,254,817</b>        | –                           |
| Derivative financial instruments                                           |             | <b>35,976</b>           | 86,488                      |
| Employee benefits                                                          |             | <b>56,870</b>           | 43,425                      |
| Deferred gains                                                             |             | –                       | 42,155                      |
| Provisions                                                                 |             | <b>16,271</b>           | –                           |
| Deferred tax liabilities                                                   |             | <b>319,623</b>          | 590,599                     |
|                                                                            |             | <b>4,824,665</b>        | 2,630,944                   |
| <b>Net assets</b>                                                          |             | <b>4,971,617</b>        | 5,314,951                   |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

*At 30 June 2019 – unaudited*

|                                              | <b>30 June<br/>2019<br/><i>HK\$'000</i></b> | <b>31 December<br/>2018<br/><i>HK\$'000</i></b> |
|----------------------------------------------|---------------------------------------------|-------------------------------------------------|
| <b>Capital and reserves</b>                  |                                             |                                                 |
| Share capital                                | <b>4,731,480</b>                            | 4,731,480                                       |
| Reserves                                     | <u><b>(202,833)</b></u>                     | <u>141,262</u>                                  |
| Equity attributable to owners of the Company | <b>4,528,647</b>                            | 4,872,742                                       |
| Non-controlling interests                    | <u><b>442,970</b></u>                       | <u>442,209</u>                                  |
| <b>Total equity</b>                          | <u><u><b>4,971,617</b></u></u>              | <u><u>5,314,951</u></u>                         |

## NOTES:

### 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Hong Kong HNA Holding Group Co. Limited (“**Hong Kong HNA**”), a company incorporated in Hong Kong with limited liability, is the immediate parent of the Company. HNA Group Co., Ltd. (“**HNA Group**”), a company registered in the People’s Republic of China (the “**PRC**”), is an intermediate parent of the Company. Hainan Province Cihang Foundation, a foundation registered in the PRC, is the ultimate controlling party of the Company.

### 2. BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 June 2019 but is extracted from that unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information related to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Group incurred a loss of HK\$248,720,000. As at 30 June 2019, excluding the assets associated with disposal groups and non-current assets classified as held-for-sales of HK\$3,335,616,000 and liabilities associated with disposal groups classified as held-for-sale of HK\$1,692,260,000, the Group’s current liabilities were in excess of current assets by HK\$478,450,000.

During the current period, the Company failed to pay accrued interests and certain fees in the total amount of approximately HK\$63,000,000 (the “**Default**”) to the lenders (the “**Original Lenders**”) under a loan facility for the principal amount of HK\$1,400,000,000 (the “**New Borrowing**”) pursuant to a facility agreement dated 29 September 2018 entered into by the Company and certain lenders (the “**Facility Agreement**”). The New Borrowing was with an original maturity date in October 2019 and was secured by certain charged assets (the “**Charged Assets**”) which include the following and together represent the vast majority of the Group’s total assets:

- (a) all issued shares in HNA International Property Investment Company Two Limited (“**HNA Property Investment II**”) (an indirect wholly-owned subsidiary of the Company and a holding company of certain investment properties of the Group located in the United Kingdom (the “**UK Property**”));

- (b) inter-company loan made by HNA International Property Investment Company One Limited (the immediate holding company of HNA Property Investment II and an indirect wholly-owned subsidiary of the Company) to HNA Property Investment II;
- (c) all issued shares in HNA International Recreational Property (BVI) Company Limited (“**HNA Recreational Property BVI**”) (an indirect wholly-owned subsidiary of the Company and a holding company of certain investment properties of the Group in the United States (the “**US Property**”));
- (d) inter-company loan made by HNA International Recreational Property Company Limited (the immediate holding company of HNA Recreational Property BVI and a direct wholly-owned subsidiary of the Company) to HNA Recreational Property BVI;
- (e) all issued shares in Hillview Golf Development Company Ltd. (an indirect wholly-owned subsidiary of the Company and a holding company of certain golf courses of the Group located in China (the “**PRC Golf Course**”));
- (f) all issued shares in each of HNA Belt and Road Investments Company Limited (“**HNA Belt & Road**”), HNA Belt and Road Investments (BVI) Company Limited (“**HNA Belt & Road BVI**”) and HNA Belt and Road Investments (Singapore) Pte. Limited (“**HNA Belt & Road Singapore**”) (wholly-owned subsidiaries of the Company and the holding companies of CWT Pte. Limited, which in turn holds the group of entities engaging in the following business segments of the Group: logistic services, commodity marketing, engineering services and financial services);
- (g) inter-company loan made by the Company to HNA Belt & Road and HNA Belt & Road BVI;
- (h) the assets of HNA Belt & Road, including a security assignment in respect of the inter-company loan made by HNA Belt & Road to HNA Belt & Road Singapore;
- (i) the assets of HNA Belt & Road BVI, including a security assignment in respect of the inter-company loan made by HNA Belt & Road BVI to HNA Belt & Road Singapore; and
- (j) certain shareholder loans made by HNA Group (International) Company Limited (an immediate shareholder of the Company) to the Company.

On 3 April 2019, the Company defaulted payment of interest and fees totalling approximately HK\$63,000,000 in relation to the New Borrowing. As a result of the Default,

- (i) the Original Lenders of the New Borrowing have demanded immediate payment of the outstanding principal, interest and fees of the New Borrowing; and
- (ii) cross-default of a loan of the Group (the “**UK Property Loan**”) has been triggered. The UK Property Loan is secured with the UK Property and may be due for immediate repayment upon the relevant lender’s request under the cross-default provisions.

On 19 July 2019, the Company announced that the Company and the Original Lenders have reached an agreement to enter into a supplemental agreement to amend and supplement the Facility Agreement (the **“Supplemental Agreement”**). Pursuant to the Supplemental Agreement, and subject to the satisfaction of the relevant conditions precedent, the Original Lenders have agreed to (i) extend the maturity date of the original loan granted under the Facility Agreement of HK\$1,400,000,000 for twelve months from the utilisation date of the additional loan amount (being not more than the increase in the total commitments mentioned in (ii) below) provided for in the Supplemental Agreement; (ii) increase their total commitments under the Facility Agreement to up to HK\$1,640,000,000. Pursuant to the Supplemental Agreement, additional securities (including but not limited to corporate guarantees and working capital support) will be provided by the immediate shareholders of the Company, and affiliates of the controlling shareholder (as security providers) to secure the performance obligations of the Company under the Facility Agreement (as amended and supplemented by the Supplemental Agreement). Save for the above matters, the terms of the Facility Agreement remained largely the same.

On 5 August 2019, the Company announced that the loan extension with respect to the Facility Agreement had become effective (the **“Loan Extension”**), namely the draw down of the additional loan amount of approximately HK\$230,000,000 under the Supplemental Agreement to the Facility Agreement (which has been further amended and supplemented by way of a second supplemental agreement dated 2 August 2019) had occurred on 5 August 2019 and the maturity date of the total loan granted under the Facility Agreement (as amended and supplemented) of approximately HK\$1,630,000,000 had been extended to twelve months from 5 August 2019 with interest to be paid quarterly.

As a result of the Loan Extension taking effect, the enforcement actions (including the appointment of receivers) taken for and on behalf of the Original Lenders have been terminated and released, any property transferred to the security agent (on trust for the Original Lenders) has been returned.

With respect to the additional securities required under the Supplemental Agreement (as further amended and supplemented), in addition to the securities provided by the immediate shareholders of the Company and affiliates of the controlling shareholder of the Company (as stated in the previous announcement of 19 July 2019), the Company has granted a debenture in favour of the Original Lenders over the assets of the Company covering all present and future assets, undertaking, property and rights of the Company, of whatsoever nature and wherever situate, including but not limited to land, investments, plant and machinery, credit balances, book debts, insurances, contracts and receivables, and intellectual property.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient cash resources to continue as a going concern and pay its debt, including interest, when they fall due and have taken the following measures to strengthen the Group’s ability to continue as a going concern:

**(a) Disposal plans of the Group to repay the amounts due under the Facility Agreement (as amended and supplemented)**

The Group intends to dispose of the property investment business in the United Kingdom (**“UK”**) and the United States of America (**“USA”**) (referred to as the **“UK Operation”** and the **“US Operation”**, respectively) and sports and leisure related facilities business in the PRC (the **“PRC Operation”**) to repay the amount due under the Facility Agreement (as amended and supplemented).

In addition, the Directors are committed to focus on the provision of logistics services to optimise the structure of the Group and keep a stable operation. As a result, the Group also intends to dispose of certain operations engaging in business activities other than those related to logistics services. The Group has received a number of letters of intent or expressions of interest from potential buyers with respect to the disposal of these operations and the Directors have been actively negotiating with such potential buyers.

The Directors, after taking into account the quotation from potential buyers, are of the view that the net proceeds from the disposal of the aforesaid assets and operations would be sufficient to repay the outstanding principal, interest and fees in relation to the Facility Agreement (as amended and supplemented) in full when they fall due.

Some of aforesaid assets and operations are located (or are companies located) in the UK and the USA and, due to the recent geopolitical situations affecting these countries (including BREXIT and trade tensions between China and the USA), it has been a challenge identifying interested buyers for these assets and operations. The Group has been searching for interested buyers for quite some time and, in negotiating the terms for undertaking such disposals, the Group would need to take into account the benefit of undertaking the disposals in the short term in view of the continuing, or even growing, uncertainties affecting these markets.

**(b) Other financing measures**

To improve the Group's liquidity position, the Directors will also actively take other financing measures, including but not limited to maintaining good relationship with the current finance providers so that they will continue providing finance to the Group; and negotiating with potential finance providers for providing new facilities to the Group.

The Group will not be able to repay its outstanding debt and interests unless the above disposal plans and financing measures are implemented successfully. These conditions and circumstances indicate the existence of the material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As such, the Directors have reviewed the Group's cash flow projections prepared by the management which cover a period of not less than twelve months from 30 June 2019. Based on the cash flow projection, the Directors consider that, assuming the success of all the aforesaid disposal plans and financing measures, the Group will have sufficient working capital to finance its operations and to meet its obligations as and when they fall due for at least twelve months from 30 June 2019. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim financial report on a going concern basis. The interim financial report does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to operate as a going concern.

### 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

#### **HKFRS 16, *Leases***

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of twelve months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### **(a) *Changes in the accounting policies***

##### **(i) *New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

(ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) *Lessor accounting*

The Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) *Transactional impact*

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within twelve months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as lease expenses in the consolidated statement of profit or loss and other comprehensive income;
- (iii) In applying HKFRS 16 for the first time, the Group has accounted for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases as permitted under the practical expedients in the standard; and
- (iv) There is no material impact to the Group's financial performance due to the adoption of this new accounting standard.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in “other property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

|                                                                                                             | Carrying amount<br>at 31 December<br>2018<br>HK\$'000 | Capitalisation of<br>operating lease<br>contracts<br>HK\$'000 | Carrying amount<br>at 1 January<br>2019<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|
| <b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b> |                                                       |                                                               |                                                     |
| Property, plant and equipment                                                                               | 4,353,433                                             | (13,856)                                                      | 4,339,577                                           |
| Land use rights                                                                                             | 996,948                                               | (996,948)                                                     | –                                                   |
| Right-of-use assets                                                                                         | –                                                     | 4,789,536                                                     | 4,789,536                                           |
| Interest in joint ventures                                                                                  | 276,444                                               | (247)                                                         | 276,197                                             |
| Deferred tax assets                                                                                         | 26,331                                                | 1,078                                                         | 27,409                                              |
| <b>Total non-current assets</b>                                                                             | <b>7,324,540</b>                                      | <b>3,779,563</b>                                              | <b>11,104,103</b>                                   |
| Land use rights                                                                                             | 42,423                                                | (42,423)                                                      | –                                                   |
| Prepayments, deposits and other receivables                                                                 | 4,776,127                                             | (9,615)                                                       | 4,766,512                                           |
| <b>Total current assets</b>                                                                                 | <b>18,487,020</b>                                     | <b>(52,038)</b>                                               | <b>18,434,982</b>                                   |
| Trade and other payables                                                                                    | (8,870,232)                                           | 2,693                                                         | (8,867,539)                                         |
| Lease liabilities                                                                                           | –                                                     | (400,353)                                                     | (400,353)                                           |
| Provisions                                                                                                  | (32,235)                                              | (16,017)                                                      | (48,252)                                            |
| <b>Total current liabilities</b>                                                                            | <b>(17,865,665)</b>                                   | <b>(413,677)</b>                                              | <b>(18,279,342)</b>                                 |
| <b>Net current assets</b>                                                                                   | <b>621,355</b>                                        | <b>(465,715)</b>                                              | <b>155,640</b>                                      |
| <b>Total assets less current liabilities</b>                                                                | <b>7,945,895</b>                                      | <b>3,313,848</b>                                              | <b>11,259,743</b>                                   |
| Lease liabilities                                                                                           | –                                                     | (3,410,462)                                                   | (3,410,462)                                         |
| Deferred gains                                                                                              | (42,155)                                              | 55,011                                                        | 12,856                                              |
| <b>Total non-current liabilities</b>                                                                        | <b>(2,630,944)</b>                                    | <b>(3,355,451)</b>                                            | <b>(5,986,395)</b>                                  |
| <b>Net assets</b>                                                                                           | <b>5,314,951</b>                                      | <b>(41,603)</b>                                               | <b>5,273,348</b>                                    |

(c) **Impact on the financial result, segment results and cash flows of the Group**

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. The capital element is classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these unaudited consolidated interim financial information to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

|                                                                                                                 | 2019                                                                         |                |                                                                                                                       | 2018                                                                      |                                                                             |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------|
|                                                                                                                 |                                                                              |                | Deduct:<br>Estimated<br>amounts<br>related to<br>operating<br>lease as<br>if under<br>HKAS 17<br>(Note 1)<br>HK\$'000 | Hypothetical<br>amounts<br>for 2019<br>as if under<br>HKAS 17<br>HK\$'000 | Compared<br>to amounts<br>reported for<br>2018 under<br>HKAS 17<br>HK\$'000 |
| Amounts<br>reported<br>under<br>HKFRS 16<br>HK\$'000                                                            | Add back:<br>HKFRS 16<br>depreciation<br>and interest<br>expense<br>HK\$'000 |                |                                                                                                                       |                                                                           |                                                                             |
| <b>Financial result for the six<br/>months ended 30 June 2019<br/>impacted by the adoption of<br/>HKFRS 16:</b> |                                                                              |                |                                                                                                                       |                                                                           |                                                                             |
| <b>Continuing operations</b>                                                                                    |                                                                              |                |                                                                                                                       |                                                                           |                                                                             |
| <b>Profit from operations</b>                                                                                   | <b>312,371</b>                                                               | <b>232,271</b> | <b>(274,270)</b>                                                                                                      | <b>270,372</b>                                                            | 121,882                                                                     |
| Finance costs                                                                                                   | (411,789)                                                                    | 71,883         | –                                                                                                                     | (339,906)                                                                 | (422,589)                                                                   |
| <b>Loss before taxation</b>                                                                                     | <b>(99,418)</b>                                                              | <b>304,154</b> | <b>(274,270)</b>                                                                                                      | <b>(69,534)</b>                                                           | (300,707)                                                                   |
| <b>Loss for the period</b>                                                                                      | <b>(127,153)</b>                                                             | <b>304,154</b> | <b>(274,270)</b>                                                                                                      | <b>(97,269)</b>                                                           | (317,736)                                                                   |

For discontinued operations, no such impact.

|                                                                                                                                                 | 2019                |                         |                     | 2018                |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------|---------------------|---------------------|
|                                                                                                                                                 |                     | <b>Deduct:</b>          |                     |                     |
|                                                                                                                                                 |                     | <b>Estimated</b>        |                     |                     |
|                                                                                                                                                 |                     | <b>amounts</b>          |                     |                     |
|                                                                                                                                                 |                     | <b>related to</b>       |                     |                     |
|                                                                                                                                                 | <b>Add back:</b>    | <b>operating</b>        | <b>Hypothetical</b> | <b>Compared</b>     |
|                                                                                                                                                 | <b>HKFRS 16</b>     | <b>lease as if</b>      | <b>amounts</b>      | <b>to amounts</b>   |
|                                                                                                                                                 | <b>depreciation</b> | <b>under</b>            | <b>for 2019</b>     | <b>reported for</b> |
|                                                                                                                                                 | <b>and interest</b> | <b>HKAS 17</b>          | <b>as if under</b>  | <b>2018 under</b>   |
|                                                                                                                                                 | <b>expense</b>      | <b>(Note 1 &amp; 2)</b> | <b>HKAS 17</b>      | <b>HKAS 17</b>      |
|                                                                                                                                                 | <b>HK\$'000</b>     | <b>HK\$'000</b>         | <b>HK\$'000</b>     | <b>HK\$'000</b>     |
| <b>Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:</b> |                     |                         |                     |                     |
| Cash (used in)/generated from operations                                                                                                        | 140,890             | (274,270)               | (133,380)           | 145,536             |
| Interest element of lease rentals paid                                                                                                          | (71,883)            | 71,883                  | –                   | (401)               |
| <b>Net cash used in operating activities</b>                                                                                                    | <b>(228,015)</b>    | <b>(197,613)</b>        | <b>(425,628)</b>    | <b>(234,062)</b>    |
| Capital element of lease rentals paid                                                                                                           | (202,387)           | 202,387                 | –                   | (2,826)             |
| <b>Net cash used in financing activities</b>                                                                                                    | <b>(1,012,358)</b>  | <b>202,387</b>          | <b>(809,971)</b>    | <b>(27,089)</b>     |

*Note 1:* The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

*Note 2:* In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 is still applied.

#### 4. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS AND NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Assets and liabilities associated with discontinued operations and non-current assets classified as held-for-sale are analysed as follows:

|                                                                                                                                           |     | <b>30 June<br/>2019<br/>HK\$'000</b> | 31 December<br>2018<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----|--------------------------------------|---------------------------------|
| <b>Assets associated with disposal groups classified as held-for-sale</b>                                                                 |     |                                      |                                 |
| UK Operation                                                                                                                              | (a) | 1,100,256                            | –                               |
| US Operation                                                                                                                              | (b) | 887,645                              | –                               |
| PRC Operation                                                                                                                             | (c) | <u>1,328,696</u>                     | <u>–</u>                        |
|                                                                                                                                           |     | <u><b>3,316,597</b></u>              | <u><b>–</b></u>                 |
| <b>Non-current assets held-for-sale</b>                                                                                                   |     |                                      |                                 |
| Property, plant and equipment                                                                                                             |     | 19,019                               | –                               |
| UK Property                                                                                                                               |     | –                                    | 1,198,824                       |
| Interest in an associate, Westford Trade Services Ltd.                                                                                    |     | <u>–</u>                             | <u>8,224</u>                    |
|                                                                                                                                           |     | <u><b>19,019</b></u>                 | <u><b>1,207,048</b></u>         |
| <b>Liabilities associated with disposal groups classified as held-for-sale</b>                                                            |     |                                      |                                 |
| UK Operation                                                                                                                              | (a) | 765,885                              | –                               |
| US Operation                                                                                                                              | (b) | 850                                  | –                               |
| PRC Operation                                                                                                                             | (c) | <u>925,525</u>                       | <u>–</u>                        |
|                                                                                                                                           |     | <u><b>1,692,260</b></u>              | <u><b>–</b></u>                 |
| <b>Loss for the periods from discontinued operations</b>                                                                                  |     |                                      |                                 |
| UK Operation                                                                                                                              | (a) | (151,401)                            | (90,841)                        |
| US Operation                                                                                                                              | (b) | 38,329                               | (145,221)                       |
| PRC Operation                                                                                                                             | (c) | <u>(8,495)</u>                       | <u>(19,581)</u>                 |
|                                                                                                                                           |     | <u><b>(121,567)</b></u>              | <u><b>(255,643)</b></u>         |
| <b>Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale</b> |     |                                      |                                 |
| UK Operation                                                                                                                              | (a) | 9,443                                | –                               |
| US Operation                                                                                                                              | (b) | 626                                  | –                               |
| PRC Operation                                                                                                                             | (c) | <u>152,177</u>                       | <u>–</u>                        |
|                                                                                                                                           |     | <u><b>162,246</b></u>                | <u><b>–</b></u>                 |

(a) **UK Operation**

Loss for the periods from the discontinued operation in respect of UK Operation is analysed as follows:

|                               | <b>Six months ended 30 June</b> |                 |
|-------------------------------|---------------------------------|-----------------|
|                               | <b>2019</b>                     | <b>2018</b>     |
|                               | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| <b>Discontinued operation</b> |                                 |                 |
| Revenue                       | <b>32,624</b>                   | 34,542          |
| Cost of sales                 | <u>—</u>                        | <u>—</u>        |
| Gross profit                  | <b>32,624</b>                   | 34,542          |
| Other income                  | <b>1</b>                        | —               |
| Other net loss                | <b>(169,490)</b>                | (109,603)       |
| Administrative expenses       | <b>(691)</b>                    | (2,153)         |
| Finance costs                 | <u><b>(9,320)</b></u>           | <u>(8,917)</u>  |
| Loss before taxation          | <b>(146,876)</b>                | (86,131)        |
| Income tax                    | <u><b>(4,525)</b></u>           | <u>(4,710)</u>  |
| Loss for the period           | <u><b>(151,401)</b></u>         | <u>(90,841)</u> |

Assets and liabilities associated with the discontinued operation in respect of UK Operation are analysed as follows:

|                                                                                                                                            | <b>30 June<br/>2019<br/>HK\$'000</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Investment properties                                                                                                                      | 1,024,891                            |
| Prepayments, deposits and other receivables                                                                                                | 15,290                               |
| Cash and cash equivalents                                                                                                                  | <u>60,075</u>                        |
| <b>Assets associated with UK Operation classified as held-for-sale</b>                                                                     | <u><b>1,100,256</b></u>              |
| Trade and other payables                                                                                                                   | 21,275                               |
| Current tax payable                                                                                                                        | 4,962                                |
| Amounts due to group entities                                                                                                              | 636,781                              |
| Loans and borrowings                                                                                                                       | <u>739,648</u>                       |
| <b>Total liabilities associated with UK Operation classified as held-for-sale</b>                                                          | 1,402,666                            |
| Less: Amounts due to group entities                                                                                                        | <u>(636,781)</u>                     |
| <b>Liabilities associated with UK Operation classified as held-for-sale</b>                                                                | <u><b>765,885</b></u>                |
| <b>Amounts recognised in other comprehensive income and accumulated<br/>in equity relating to UK Operation classified as held-for-sale</b> | <u><b>9,443</b></u>                  |

For presentation in the consolidated statement of financial position as at 30 June 2019, the amounts due to group entities amounting to HK\$636,781,000 has been excluded from the total liabilities associated with UK Operation classified as held-for-sale.

Cash flows for the periods from the discontinued operation in respect of UK Operation are as follows:

*HK\$'000*

**For the six months ended 30 June 2019**

|                                            |                      |
|--------------------------------------------|----------------------|
| Net cash inflows from operating activities | <u><b>14,093</b></u> |
|--------------------------------------------|----------------------|

**For the six months ended 30 June 2018**

|                                                |                        |
|------------------------------------------------|------------------------|
| Net cash outflows used in operating activities | <u><b>(42,246)</b></u> |
|------------------------------------------------|------------------------|

**(b) US Operation**

Profit/(loss) for the periods from the discontinued operation in respect of US Operation is analysed as follows:

|                               | <b>Six months ended 30 June</b> |                         |
|-------------------------------|---------------------------------|-------------------------|
|                               | <b>2019</b>                     | <b>2018</b>             |
|                               | <b><i>HK\$'000</i></b>          | <b><i>HK\$'000</i></b>  |
| <b>Discontinued operation</b> |                                 |                         |
| Revenue                       | <b>27,830</b>                   | 27,829                  |
| Cost of sales                 | <u><b>(7,704)</b></u>           | <u>(1,352)</u>          |
| Gross profit                  | <b>20,126</b>                   | 26,477                  |
| Other income                  | <b>29</b>                       | –                       |
| Other net loss                | <b>(2,154)</b>                  | (158,554)               |
| Administrative expenses       | <u><b>(4,552)</b></u>           | <u>(4,834)</u>          |
| Profit/(loss) before taxation | <b>13,449</b>                   | (136,911)               |
| Income tax                    | <u><b>24,880</b></u>            | <u>(8,310)</u>          |
| Profit/(loss) for the period  | <u><b>38,329</b></u>            | <u><b>(145,221)</b></u> |

Assets and liabilities associated with the discontinued operation in respect of US Operation are analysed as follows:

|                                                                                                                                        | <b>30 June<br/>2019</b><br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Investment properties                                                                                                                  | 838,085                                    |
| Trade receivables                                                                                                                      | 45,306                                     |
| Tax recoverable                                                                                                                        | 730                                        |
| Cash and cash equivalents                                                                                                              | <u>3,524</u>                               |
| <b>Assets associated with US Operation classified as held-for-sale</b>                                                                 | <b><u>887,645</u></b>                      |
| Trade and other payables                                                                                                               | 850                                        |
| Amounts due to group entities                                                                                                          | <u>1,104,462</u>                           |
| <b>Total liabilities associated with US Operation classified as held-for-sale</b>                                                      | 1,105,312                                  |
| Less: Amounts due to group entities                                                                                                    | <u>(1,104,462)</u>                         |
| <b>Liabilities associated with US Operation classified as held-for-sale</b>                                                            | <b><u>850</u></b>                          |
| <b>Amounts recognised in other comprehensive income and accumulated in equity relating to US Operation classified as held-for-sale</b> | <b><u>626</u></b>                          |

For presentation in the consolidated statement of financial position as at 30 June 2019, the amounts due to group entities amounting to HK\$1,104,462,000 has been excluded from the total liabilities associated with US Operation classified as held-for-sale.

Cash flows for the periods from the discontinued operation in respect of US Operation are as follows:

|                                                | <i>HK\$'000</i>       |
|------------------------------------------------|-----------------------|
| <b>For the six months ended 30 June 2019</b>   |                       |
| Net cash inflows from operating activities     | <b>3,237</b>          |
| Net cash outflows used in investing activities | <u><b>(1,885)</b></u> |
| Net cash inflows                               | <b><u>1,352</u></b>   |
| <b>For the six months ended 30 June 2018</b>   |                       |
| Net cash inflows from operating activities     | 3,444                 |
| Net cash outflows used in investing activities | <u>(667)</u>          |
| Net cash inflows                               | <b><u>2,777</u></b>   |

(c) **PRC Operation**

Loss for the periods from the discontinued operation in respect of PRC Operation is analysed as follows:

|                                | <b>Six months ended 30 June</b> |                        |
|--------------------------------|---------------------------------|------------------------|
|                                | <b>2019</b>                     | <b>2018</b>            |
|                                | <b><i>HK\$'000</i></b>          | <b><i>HK\$'000</i></b> |
| <b>Discontinued operation</b>  |                                 |                        |
| Revenue                        | <b>76,780</b>                   | 80,368                 |
| Cost of sales                  | <b>(57,442)</b>                 | (65,086)               |
| Gross profit                   | <b>19,338</b>                   | 15,282                 |
| Other income                   | <b>2,757</b>                    | 907                    |
| Other net loss                 | <b>(3,362)</b>                  | (1,601)                |
| Selling and distribution costs | <b>(2,853)</b>                  | (2,477)                |
| Administrative expenses        | <b>(6,742)</b>                  | (6,776)                |
| Finance costs                  | <b>(17,384)</b>                 | (19,999)               |
| Loss before taxation           | <b>(8,246)</b>                  | (14,664)               |
| Income tax                     | <b>(249)</b>                    | (4,917)                |
| Loss for the period            | <b>(8,495)</b>                  | (19,581)               |

Assets and liabilities associated with the discontinued operation in respect of PRC Operation are analysed as follows:

|                                                                                                                                         | <b>30 June<br/>2019</b><br><i>HK\$'000</i> |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Property, plant and equipment                                                                                                           | 235,731                                    |
| Land use rights                                                                                                                         | 1,017,176                                  |
| Other non-current assets                                                                                                                | 1,593                                      |
| Inventories                                                                                                                             | 7,497                                      |
| Trade receivables                                                                                                                       | 25,960                                     |
| Prepayments, deposits and other receivables                                                                                             | 16,730                                     |
| Amounts due from group entities                                                                                                         | 574,394                                    |
| Pledged bank deposits                                                                                                                   | 54                                         |
| Cash and cash equivalents                                                                                                               | <u>23,955</u>                              |
| <b>Total assets associated with PRC Operation classified as held-for-sale</b>                                                           | 1,903,090                                  |
| Less: Amounts due from group entities                                                                                                   | <u>(574,394)</u>                           |
| <b>Assets associated with PRC Operation classified as held-for-sale</b>                                                                 | <u><u>1,328,696</u></u>                    |
| Trade and other payables                                                                                                                | 39,357                                     |
| Current tax payable                                                                                                                     | 11,790                                     |
| Contract liabilities                                                                                                                    | 165,002                                    |
| Loans and borrowings                                                                                                                    | 469,994                                    |
| Deferred tax liabilities                                                                                                                | <u>239,382</u>                             |
| <b>Liabilities associated with PRC Operation classified as held-for-sale</b>                                                            | <u><u>925,525</u></u>                      |
| <b>Amounts recognised in other comprehensive income and accumulated in equity relating to PRC Operation classified as held-for-sale</b> | <u><u>152,177</u></u>                      |

For presentation in the consolidated statement of financial position as at 30 June 2019, the amounts due from group entities amounting to HK\$574,394,000 has been excluded from the total assets associated with PRC Operation classified as held-for-sale.

Cash flows for the periods from the discontinued operation in respect of PRC Operation are as follows:

*HK\$'000*

**For the six months ended 30 June 2019**

|                                                |                       |
|------------------------------------------------|-----------------------|
| Net cash inflows from operating activities     | 9,373                 |
| Net cash outflows used in investing activities | (71)                  |
| Net cash outflows used in financing activities | <u>(11,006)</u>       |
| Net cash outflows                              | <u><u>(1,704)</u></u> |

**For the six months ended 30 June 2018**

|                                                |                        |
|------------------------------------------------|------------------------|
| Net cash outflows used in operating activities | (65,182)               |
| Net cash inflows from investing activities     | 38,029                 |
| Net cash outflows used in financing activities | <u>(17,816)</u>        |
| Net cash outflows                              | <u><u>(44,969)</u></u> |

## 5. REVENUE

### Continuing operations

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

Disaggregation of revenue from contracts with customers by major products and service lines and geographical location of customers is as follows:

|                                                                           | <b>Six months ended 30 June</b> |                          |
|---------------------------------------------------------------------------|---------------------------------|--------------------------|
|                                                                           | <b>2019</b>                     | <b>2018</b>              |
|                                                                           | <b>HK\$'000</b>                 | <b>HK\$'000</b>          |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |                                 |                          |
| Disaggregated by major products and service lines                         |                                 |                          |
| Freight services                                                          | 1,359,408                       | 1,611,195                |
| Logistics services                                                        | 801,693                         | 653,069                  |
| Commodity trading                                                         | 26,562,495                      | 33,175,644               |
| Equipment and facility maintenance services                               | 230,298                         | 219,756                  |
| Design-and-build                                                          | 169,676                         | 39,338                   |
| Broking services                                                          | 231,136                         | 203,503                  |
| Others                                                                    | 179,888                         | 129,230                  |
|                                                                           | <u>29,534,594</u>               | <u>36,031,735</u>        |
| <b>Revenue from other sources</b>                                         |                                 |                          |
| Gross rentals from investment properties                                  | <u>103,613</u>                  | <u>90,321</u>            |
|                                                                           | <u><u>29,638,207</u></u>        | <u><u>36,122,056</u></u> |

|                                                     | Six months ended 30 June |                        |
|-----------------------------------------------------|--------------------------|------------------------|
|                                                     | 2019                     | 2018                   |
|                                                     | HK\$'000                 | HK\$'000<br>(restated) |
| Disaggregated by geographical location of customers |                          |                        |
| Mainland China                                      | 17,186,257               | 18,515,373             |
| Singapore                                           | 3,731,986                | 3,393,388              |
| Malaysia                                            | 400,789                  | 843,359                |
| Taiwan                                              | 79,962                   | 41,977                 |
| Other parts of Asia Pacific Region                  | 5,540,136                | 10,480,470             |
| Europe                                              | 1,586,015                | 1,729,251              |
| North America                                       | 526,191                  | 694,236                |
| South America                                       | 589                      | 192                    |
| Africa Continent                                    | 573,319                  | 423,810                |
| Middle East                                         | 12,963                   | –                      |
|                                                     | <b>29,638,207</b>        | <b>36,122,056</b>      |

## 6. SEGMENT INFORMATION

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

In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments.

### **Logistics services**

Include warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services.

### **Commodity marketing**

Include physical trading and supply chain management of base metal non-ferrous concentrates with predominant focus on copper, lead, zinc and other minor metals and energy products like naphtha and distillates.

### **Engineering services**

Include management and maintenance of facilities, vehicles and equipment, supply and installation of engineering products, property management, and design-and-build for logistic properties.

## Financial services

Include financial brokerage services, structured trade services and assets management services.

Segment loss before taxation represents operating revenue less expenses. Segment assets represent assets directly managed by each segment, and primarily include inventories, receivables, property, plant and equipment. Segment liabilities represent liabilities directly managed by each segment, and primarily include payables and loans and borrowings.

The segment information reported below does not include any amounts for those discontinued operations (property investment business and sports and leisure related facilities business), which is described in more details in Note 4. Items not managed by or derived from the operations of reportable segments are classified as “unallocated” in the segment reconciliations.

The measure used for reportable segment profit/(loss) is profit/(loss) before taxation.

### (a) Segment revenue and results

Disaggregation of revenue from contracts with customers by timing of revenue recognition as well as information regarding the Group’s reporting segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for six months ended 30 June 2019 and 2018 is set out below:

| For the six months ended 30 June                 | Logistics services |           | Commodity marketing |            | Engineering services |          | Financial services |           | Elimination |           | Total      |            |
|--------------------------------------------------|--------------------|-----------|---------------------|------------|----------------------|----------|--------------------|-----------|-------------|-----------|------------|------------|
|                                                  | 2019               | 2018      | 2019                | 2018       | 2019                 | 2018     | 2019               | 2018      | 2019        | 2018      | 2019       | 2018       |
|                                                  | HK\$'000           | HK\$'000  | HK\$'000            | HK\$'000   | HK\$'000             | HK\$'000 | HK\$'000           | HK\$'000  | HK\$'000    | HK\$'000  | HK\$'000   | HK\$'000   |
|                                                  |                    |           |                     |            |                      |          |                    |           |             |           |            | (restated) |
| Disaggregated by timing of revenue recognition:  |                    |           |                     |            |                      |          |                    |           |             |           |            |            |
| Point in time                                    | 951,503            | 77,968    | 22,028,879          | 26,068,652 | 94,000               | 68,440   | 4,739,743          | 7,310,496 | -           | -         | 27,814,125 | 33,525,556 |
| Over time                                        | 1,445,043          | 2,377,215 | 25,008              | -          | 354,031              | 219,285  | -                  | -         | -           | -         | 1,824,082  | 2,596,500  |
| External revenue                                 | 2,396,546          | 2,455,183 | 22,053,887          | 26,068,652 | 448,031              | 287,725  | 4,739,743          | 7,310,496 | -           | -         | 29,638,207 | 36,122,056 |
| Inter-segment revenue                            | 21,854             | 15,044    | 40                  | 78,699     | 295                  | 1,587    | -                  | -         | (22,189)    | (95,330)  | -          | -          |
| Reportable segment revenue                       | 2,418,400          | 2,470,227 | 22,053,927          | 26,147,351 | 448,326              | 289,312  | 4,739,743          | 7,310,496 | (22,189)    | (95,330)  | 29,638,207 | 36,122,056 |
| Reportable segment profit/(loss) before taxation | (19,691)           | 34,417    | 54,839              | 62,313     | 17,899               | 26,367   | 50,599             | 20,200    | 312         | -         | 103,958    | 143,297    |
| As at 30 June/31 December                        |                    |           |                     |            |                      |          |                    |           |             |           |            |            |
| Reportable segment assets                        | 8,887,608          | 5,695,210 | 7,599,119           | 8,324,229  | 434,929              | 447,578  | 6,107,506          | 7,166,157 | (516,446)   | (363,417) | 22,512,716 | 21,269,757 |
| Reportable segment liabilities                   | 6,868,604          | 3,903,870 | 6,072,434           | 6,790,397  | 249,079              | 277,105  | 5,075,723          | 6,177,144 | (516,446)   | (366,102) | 17,749,394 | 16,782,414 |

**(b) Reconciliation of reportable segment profit or loss**

|                                                                                          | Six months ended 30 June |                                          |
|------------------------------------------------------------------------------------------|--------------------------|------------------------------------------|
|                                                                                          | 2019<br>HK\$'000         | 2018<br>HK\$'000<br>(restated)<br>(Note) |
| Total profit before taxation for reportable segments                                     | 103,958                  | 143,297                                  |
| Unallocated income and gains                                                             | 430                      | 7,850                                    |
| Unallocated expenses                                                                     | (66,870)                 | (134,836)                                |
| Net foreign exchange gain/(loss)                                                         | 16,451                   | (141,342)                                |
| Gain on fair value change of the embedded derivatives<br>components of convertible bonds | –                        | 41,975                                   |
| Finance costs                                                                            | <u>(153,387)</u>         | <u>(217,651)</u>                         |
| Loss before taxation                                                                     | <u>(99,418)</u>          | <u>(300,707)</u>                         |

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach, comparative information is not restated. See Note 3.

**(c) Seasonality of operations**

The Directors are of the opinion that the Group's business is not highly seasonal.

**7. OTHER NET GAIN/(LOSS)**

|                                                               | Six months ended 30 June |                                          |
|---------------------------------------------------------------|--------------------------|------------------------------------------|
|                                                               | 2019<br>HK\$'000         | 2018<br>HK\$'000<br>(restated)<br>(Note) |
| <b>Continuing operations</b>                                  |                          |                                          |
| Net gain on disposal of property, plant and equipment         | 72                       | 35,446                                   |
| Net foreign exchange gain/(loss)                              | 10,372                   | (141,340)                                |
| Net (loss)/gain on financial instruments carried at FVPL      | (2,563)                  | 17,830                                   |
| Impairment loss on trade receivables                          | (462)                    | (3,346)                                  |
| Impairment loss on prepayments, deposit and other receivables | (2,091)                  | (2)                                      |
| Gain on disposal of subsidiaries                              | –                        | 16,758                                   |
| Gain on disposal of associates                                | 1,808                    | –                                        |
| Others                                                        | <u>(1,058)</u>           | <u>(6,003)</u>                           |
|                                                               | <u>6,078</u>             | <u>(80,657)</u>                          |

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach, comparative information is not restated. See Note 3.

## 8. FINANCE COSTS

|                                        | Six months ended 30 June |                                          |
|----------------------------------------|--------------------------|------------------------------------------|
|                                        | 2019<br>HK\$'000         | 2018<br>HK\$'000<br>(restated)<br>(Note) |
| <b>Continuing operations</b>           |                          |                                          |
| Bank charges                           | 36,590                   | 49,710                                   |
| Interest expense on:                   |                          |                                          |
| – Bank borrowings and other facilities | 246,393                  | 103,632                                  |
| – Senior secured notes                 | –                        | 166,489                                  |
| – Convertible bonds                    | –                        | 50,854                                   |
| – Medium term notes                    | 22,044                   | 26,312                                   |
| – Lease liabilities                    | 71,072                   | 401                                      |
| Other finance cost                     | 35,690                   | 25,191                                   |
|                                        | <b>411,789</b>           | <b>422,589</b>                           |

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach, comparative information is not restated. See Note 3.

## 9. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations is arrived at after charging/(crediting):

|                                               | Six months ended 30 June |                            |
|-----------------------------------------------|--------------------------|----------------------------|
|                                               | 2019<br>HK\$'000         | 2018<br>HK\$'000<br>(Note) |
| <b>Continuing operations</b>                  |                          |                            |
| Depreciation of property, plant and equipment | 119,651                  | 245,623                    |
| Dividend income                               | (295)                    | (8,011)                    |
| Impairment loss on:                           |                          |                            |
| – trade receivables                           | 462                      | 3,346                      |
| – prepayments, deposits and other receivables | 2,091                    | 2                          |
| – other non-current assets                    | –                        | 5,404                      |
| Cost of inventories sold                      | 26,088,862               | 33,311,299                 |

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach, comparative information is not restated. See Note 3.

## 10. INCOME TAX

|                                                   | Six months ended 30 June |                                |
|---------------------------------------------------|--------------------------|--------------------------------|
|                                                   | 2019<br>HK\$'000         | 2018<br>HK\$'000<br>(restated) |
| <b>Continuing operations</b>                      |                          |                                |
| Current tax – Outside Hong Kong                   |                          |                                |
| Provision for the period                          | 38,936                   | 45,479                         |
| (Over)/under-provision in respect of prior years  | <u>(677)</u>             | <u>3,445</u>                   |
|                                                   | 38,259                   | 48,924                         |
| Deferred tax                                      |                          |                                |
| Origination and reversal of temporary differences | (10,692)                 | (32,164)                       |
| Withholding tax                                   | <u>168</u>               | <u>269</u>                     |
| Total income tax expense                          | <u>27,735</u>            | <u>17,029</u>                  |

For the six months ended 30 June 2019 and 2018, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both periods. Taxation outside Hong Kong is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

## 11. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2019 and 2018, nor has any dividend been proposed after the end of reporting period.

## 12. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share amounts from continuing and discontinued operations is based on:

#### (i) *the loss for the period attributable to owners of the Company*

|                                            | Six months ended 30 June |                  |
|--------------------------------------------|--------------------------|------------------|
|                                            | 2019                     | 2018             |
|                                            | HK\$'000                 | HK\$'000         |
|                                            |                          | (restated)       |
| Loss attributable to owners of the Company |                          |                  |
| – from continuing operations               | (140,977)                | (336,951)        |
| – from discontinued operations             | (119,734)                | (219,539)        |
|                                            | <u>(260,711)</u>         | <u>(556,490)</u> |

#### (ii) the weighted average number of ordinary shares of 11,399,996,101 (six months ended 30 June 2018: 11,399,996,101) in issue during the period.

### (b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of the convertible bonds issued in 2016 had an anti-dilutive effect on the basic loss per share amounts presented.

## 13. TRADE RECEIVABLES

|                                                                                 | 30 June                 | 31 December             |
|---------------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                                 | 2019                    | 2018                    |
|                                                                                 | HK\$'000                | HK\$'000                |
| Trade debtors and bills receivables at amortised cost,<br>net of loss allowance | 1,632,516               | 2,346,960               |
| Trade receivables containing provisional pricing features,<br>measured at FVPL  | <u>2,481,865</u>        | <u>2,563,471</u>        |
|                                                                                 | <u><u>4,114,381</u></u> | <u><u>4,910,431</u></u> |

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivables based on the invoice date and net of loss allowance, is as follows:

|                                                           | <b>30 June<br/>2019<br/>HK\$'000</b> | <b>31 December<br/>2018<br/>HK\$'000</b> |
|-----------------------------------------------------------|--------------------------------------|------------------------------------------|
| 0–90 days                                                 | <b>3,816,908</b>                     | 4,433,626                                |
| 91–180 days                                               | <b>188,552</b>                       | 316,368                                  |
| 181–365 days                                              | <b>12,437</b>                        | 127,728                                  |
| 1–2 years                                                 | <b>96,484</b>                        | 10,351                                   |
| Over 2 years                                              | <b>–</b>                             | 22,358                                   |
| Trade debtors and bill receivables, net of loss allowance | <b><u>4,114,381</u></b>              | <b><u>4,910,431</u></b>                  |

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

As at 30 June 2019, trade receivables amounted to HK\$11,724,000, HK\$3,593,000 and HK\$3,184,000 (31 December 2018: HK\$9,919,000, HK\$2,391,000 and HK\$213,000), are due from the Group's associates, joint ventures and other related parties, respectively.

#### 14. TRADE AND OTHER PAYABLES

|                                                                   | <b>30 June<br/>2019<br/>HK\$'000</b> | <b>31 December<br/>2018<br/>HK\$'000</b> |
|-------------------------------------------------------------------|--------------------------------------|------------------------------------------|
| Trade and bills payables                                          |                                      |                                          |
| – measured at amortised cost                                      | <b>254,141</b>                       | 813,929                                  |
| – containing provisional pricing features and measured at FVPL    | <b><u>875,022</u></b>                | <u>894,559</u>                           |
| (a)                                                               | <b>1,129,163</b>                     | 1,708,488                                |
| Other payables, deposit received, receipt in advance and accruals | <b><u>6,196,702</u></b>              | <u>7,161,744</u>                         |
| (b)                                                               | <b><u>7,325,865</u></b>              | <u>8,870,232</u>                         |

**(a) Trade and bills payables**

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

|              | <b>30 June<br/>2019<br/>HK\$'000</b> | <b>31 December<br/>2018<br/>HK\$'000</b> |
|--------------|--------------------------------------|------------------------------------------|
| 0–90 days    | <b>1,001,136</b>                     | 1,531,369                                |
| 91–180 days  | <b>51,397</b>                        | 78,795                                   |
| 181–365 days | <b>26,530</b>                        | 42,712                                   |
| 1–2 years    | <b>25,953</b>                        | 16,778                                   |
| Over 2 years | <b>24,147</b>                        | 38,834                                   |
|              | <b><u>1,129,163</u></b>              | <b><u>1,708,488</u></b>                  |

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

On the date of transition to HKFRS 16, accrued lease payments of HK\$2,693,000 previously included in “other payables, deposit received, receipt in advance and accruals” were adjusted to right-of-use assets recognised at 1 January 2019. See Note 3.

**15. COMPARATIVE FIGURES**

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of changes in accounting policies are disclosed in Note 3.

UK Operation, US Operation and PRC Operation have been included as discontinued operations; the comparative figures have been restated to reflect the recognition of discontinued operation. For further details, see Note 4.

**16. SUBSEQUENT EVENTS**

With reference to the Company’s announcements on 19 July 2019 and 5 August 2019, the Company has reached and entered into the Supplemental Agreement and announced that the Loan Extension with respect to the New Borrowing had become effective. As a result, the Company’s interests in certain subsidiaries which held the vast majority of the Group’s total assets are no longer under receivership. For further details, see Note 2.

## MANAGEMENT DISCUSSION AND ANALYSIS

### The default under the New Borrowing

The Company failed to pay accrued interests and certain fees in the total amount of approximately HK\$63,000,000 (the “**Default**”) to the lenders (the “**Original Lenders**”) under a loan facility for the principal amount of HK\$1,400,000,000 (the “**New Borrowing**”) pursuant to a facility agreement dated 29 September 2018 entered into by the Company and certain lenders (the “**Facility Agreement**”). The Original Lenders enforced the security provided by the Group with respect to such borrowing and obtained possession of all charged assets.

On 19 July 2019, the Company announced that the Company and the Original Lenders have reached an agreement to enter into a supplemental agreement to amend and supplement the Facility Agreement (the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement, and subject to the satisfaction of the relevant conditions precedent, the Original Lenders have agreed to (i) extend the maturity date of the original loan granted under the Facility Agreement of HK\$1,400,000,000 for twelve months from the utilisation date of the additional loan amount (being not more than the increase in the total commitments mentioned in (ii) below) provided for in the Supplemental Agreement; (ii) increase their total commitments under the Facility Agreement to up to HK\$1,640,000,000.

On 5 August 2019, the Company announced that the loan extension with respect to the Facility Agreement had become effective (the “**Loan Extension**”), namely the draw down of the additional loan amount of approximately HK\$230,000,000 under the Supplemental Agreement to the Facility Agreement (which has been further amended and supplemented by way of a second supplemental agreement dated 2 August 2019) had occurred on 5 August 2019 and the maturity date of the total loan granted under the Facility Agreement (as amended and supplemented) of approximately HK\$1,630,000,000 had been extended to twelve months from 5 August 2019 with interest to be paid quarterly.

As a result of the Loan Extension taking effect, the enforcement actions (including the appointment of receivers) taken for and on behalf of the Original Lenders have been terminated and released, any property transferred to the security agent (on trust for the Original Lenders) has been returned.

The Default situation made it extremely difficult for the Company to carry out a stable operation during the period under review. Hence, the near term priority for the Company is to dispose of certain assets to resume both liquidity and stability for its operations.

## Overview

For the first half of 2019, despite the Default, the business operations of the Group are continuing as usual in all material respects.

The Group's revenue recorded (including the discontinued operations) was HK\$29,775,441,000 (six months ended 30 June 2018: HK\$36,264,795,000); while loss attributable to owners amounted to HK\$260,711,000 (six months ended 30 June 2018: HK\$556,490,000) was recorded. The loss was mainly attributable to the Group from the incurrence of the financing expenses and defaulted interests for the New Borrowing granted on September 2018 with principal amount of HK\$1,400,000,000; the sales and leaseback project during 2018 resulted from additional rental expenses of certain warehouse properties; revaluation losses on investment properties of the Group resulting from continuing unfavourable market conditions in the countries where the investment properties are located and depreciation and amortisation charges in relation to the Group's acquisition of CWT Pte. Limited ("**CWT SG**") and its subsidiaries in 2017. Despite the Group recorded a loss attributable to owners of the Company in the current period, earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") of the Group for the period ended 30 June 2019 recorded as HK\$344,742,000 (six months ended 30 June 2018: HK\$214,921,000).

The Group is actively negotiating with potential buyers for two segments, including: property investment business in the United Kingdom ("**UK**") and the United States of America ("**USA**") (referred to as the "**UK Operation**" and the "**US Operation**", respectively) and sports and leisure related facilities business in the PRC (the "**PRC Operation**"). These two segments have been included as discontinued operations.

The operations of the six business segments (four continuing operations and two discontinued operations) of the Group during the six months ended 30 June 2019 and 2018 are summarised as follows:

### *Continuing operations*

#### *Logistics Services*

Warehousing & integrated logistics ("**WIL**"), freight logistics and commodity logistics make up our logistics services business which generated a total revenue of HK\$2,418,400,000 (six months ended 30 June 2018: HK\$2,470,227,000) and a loss before taxation of HK\$19,691,000 (six months ended 30 June 2018: profit before taxation HK\$34,417,000) in the first half of 2019. WIL's results fell, whilst freight logistics and commodity logistics delivered firmer results in the first half of 2019.

WIL in general is going through a rough patch due to the uncertainties of impending trade tensions. Trades are not flowing and hence impede the cargo movements of our customers which in turn reduce our logistics revenue. Orders from China have slowed down drastically and also the manufacturers in Singapore have slowed down their production output, leading to a reduction in their logistics service requirements. In addition, the Group completed the sales and leaseback transaction with respect to five major warehouses in the September 2018. The depreciation and interest expenses recognised in the first half of 2019 under the new lease accounting standard is higher than the deprecation expenses of these warehouses recognised in the first half of 2018. Such higher expenses together with the challenging environment had driven down the profitability of WIL.

Freight logistics' performance improved in the first half of 2019 compared with the first half of 2018 despite many challenges encountered. In 2019 the shipping industry encountered many challenges which threaten to disrupt trade and cargo flow. Trade disputes, high volatility of currency exchange, IMO 2020 ruling on sulphur emission, and Middle East war/pirate risk coupled with negative publicity have created a difficult business environment. Our business team managed to mitigate the adverse conditions with tactical and strategic moves concertedly. We expect this challenging environment to continue into 2020. As such, we are tightening our cost while taking a defensive position and consolidating the Group in order to prepare for the forthcoming challenges in the year ahead.

Commodity logistics delivered strong profit growth alongside further margin progression in the first half of 2019 despite the backdrop of a tougher market. The growth was driven by the increase in soft commodities logistics and better efficiency, coupled with the savings from the completion of a comprehensive rationalisation program early this year. Looking ahead, we will continue to strengthen the business and position ourselves for long-term growth.

### *Commodity Marketing*

2018 was a very challenging year for Commodity Marketing (“CM”) segment, notably the concentrates market. The trade tension continues to dampen demand both in China and elsewhere while sluggish European Union growth also hinders growth opportunities. Financing costs also remain elevated versus prior years. However, the supply/demand balance for copper concentrates is finally tightening and this assists counterparty performance in our primary consuming regions. The business unit has returned to modest profitability amidst operating with a prudent view in the first half of 2019. Both the energy products business and the refined metals business were constrained by the significantly reduced trade lines due to the Default issue. Overall, the CM segment reported a profit before taxation of HK\$54,839,000 (six months ended 30 June 2018: HK\$62,313,000) and revenue of HK\$22,053,927,000 (six months ended 30 June 2018: HK\$26,147,351,000) for the first half of 2019. Revenue decreased by 15.7% mainly due to lower trading volume in energy products and refined metals as well as lower prices in concentrates and refined metals.

## *Financial Services*

During the first half of 2019, Financial Services (“**FS**”) segment continues to consistently demonstrate our readiness to offer new products to the marketplace on demand. We cleared the first trade orders for the Asia Pacific Exchange’s (APEX’s) 380cst fuel oil futures and traded the SGX TSR20 rubber options upon launch. Additionally, we received approval from Monetary Authority of Singapore for the expansion of the scope of our Capital Markets Services (“**CMS**”) license to conduct leveraged foreign exchange trading under the Securities and Futures Act by Monetary Authority of Singapore. With the license, we have set up a new foreign exchange (“**FX**”) desk to provide 24-hours coverage and rolled out a full suite of FX leverage products to expand our range of capital market products.

FS closed the first half of 2019 with total revenue of HK\$4,739,743,000 (six months ended 30 June 2018: HK\$7,310,496,000) and a profit before taxation of HK\$50,599,000 (six months ended 30 June 2018: HK\$20,200,000). Revenue decreased by 35.2% against the corresponding period mainly due to lower trade services deals reported at gross basis. Moreover, the Default which occurred at the shareholder’s level in the second quarter led to reduced client confidence over our financial credibility and the safety of their funds. As a consequence, our assets under management dropped 15% due to large customer funds withdrawal. Trading volumes decreased which resulted in lower commissions generated; trading counterparties and banking relationships were also affected, hindering normal business activities. As a result, we turned to a compromised performance in the first half of 2019 compared with the first half of 2018. Despite a decrease in total revenue, profit before taxation jumped by 150.5% contributed by brokerage services in the first quarter of 2019. The brokerage services generated higher profit due to better performance and higher interest income earned from customer segregated fund due to higher interest rate. For the remainder of 2019, we will diligently focus on rebuilding brand equity, regaining client confidence and strengthening client relationships.

## *Engineering Services*

We operated our Engineering Services (“**ES**”) business primarily under Indeco Engineers with two business focus areas: Engineering Maintenance (“**EM**”) and Design-and-Build (“**DB**”). The ES segment returned a revenue of HK\$448,326,000 (six months ended 30 June 2018: HK\$289,312,000) and profit before taxation of HK\$17,899,000 (six months ended 30 June 2018: HK\$26,367,000) in the first half of 2019. Profit before taxation decreased by 32.1% due to the absence of contribution from a property management subsidiary which was divested in the third quarter of 2018. Excluding the impact of the divested subsidiary, ES generated better profit in the first half of 2019 from both EM and DB.

EM deals in essential engineering maintenance and management works and the target market is stable, though competitive. The business performed well in 2019 and is expected to remain steady in 2020 with growth in new areas.

DB offers design-and-build solutions to customers in the industrial and logistics industry, riding on our industry domain knowledge. Demand for new build of industrial and logistics facilities remained weak in 2019 and this trend is likely to continue into 2020. To sustain the business, we performed building consultancy services and smaller Addition & Alteration (A&A) projects for our logistics customers.

### ***Discontinued operations***

#### ***Property Investment Business***

The property investment business primarily comprised of the properties rental businesses in a Grade-A office building in London, the UK and a portfolio of golf courses in Seattle. This segment generated stable lease income amounted to HK\$60,454,000 (six months ended 30 June 2018: HK\$62,371,000) during the six months period ended 30 June 2019. In compliance with accounting policies, the Group engaged independent third parties to revalue its investment properties, a revaluation loss of HK\$171,443,000, which was mainly attributable by the UK Property (six months ended 30 June 2018: HK\$268,162,000), was booked in the period based on the latest valuation. The property investment business reported a loss before taxation (excluding the unallocated expenses) of HK\$136,703,000 for the current period (six months ended 30 June 2018: HK\$223,047,000) due to unclear global trade prospects, uncertain Brexit negotiation results, increased market capitalisation rate, fluctuation of interest rate and the economy uncertainty due to the resignation of the Prime Minister in UK.

#### ***Sports and Leisure Related Facilities Business***

The Group operates a segment of sports and leisure related facilities business in Dongguan. The segment revenue is mainly contributed by golf club membership and relating accommodation income. During the period, revenue recorded was HK\$76,780,000 (six months ended 30 June 2018: HK\$80,368,000), and the decrease is mainly due to the poor performance of membership sales. However, the segment recorded a loss before taxation (excluding the unallocated expenses) of HK\$7,835,000 (six months ended 30 June 2018: HK\$13,970,000), which resulted from successfully controlling the cost of operation.

### **Liquidity, Financial Resources and Financing Activities**

The Group incurred a loss of HK\$248,720,000. As at 30 June 2019, excluding the assets associated with disposal groups and non-current assets classified as held-for-sales of HK\$3,335,616,000 and liabilities associated with disposal groups classified as held-for-sale of HK\$1,692,260,000, the Group's current liabilities were in excess of current assets by HK\$478,450,000.

During the current period, the Company defaulted on the New Borrowing. The New Borrowing was with an original maturity date in October 2019 and was secured by certain charged assets (the “**Charged Assets**”) which include the following and together represent the vast majority of the Group’s total assets:

- (a) all issued shares in HNA International Property Investment Company Two Limited (“**HNA Property Investment II**”) (an indirect wholly-owned subsidiary of the Company and a holding company of certain investment properties of the Group located in the United Kingdom (the “**UK Property**”));
- (b) inter-company loan made by HNA International Property Investment Company One Limited (the immediate holding company of HNA Property Investment II and an indirect wholly-owned subsidiary of the Company) to HNA Property Investment II;
- (c) all issued shares in HNA International Recreational Property (BVI) Company Limited (“**HNA Recreational Property BVI**”) (an indirect wholly-owned subsidiary of the Company and a holding company of certain investment properties of the Group in the United States (the “**US Property**”));
- (d) inter-company loan made by HNA International Recreational Property Company Limited (the immediate holding company of HNA Recreational Property BVI and a direct wholly-owned subsidiary of the Company) to HNA Recreational Property BVI;
- (e) all issued shares in Hillview Golf Development Company Ltd. (an indirect wholly-owned subsidiary of the Company and a holding company of certain golf courses of the Group located in China (the “**PRC Golf Course**”));
- (f) all issued shares in each of HNA Belt and Road Investments Company Limited (“**HNA Belt & Road**”), HNA Belt and Road Investments (BVI) Company Limited (“**HNA Belt & Road BVI**”) and HNA Belt and Road Investments (Singapore) Pte. Limited (“**HNA Belt & Road Singapore**”) (wholly-owned subsidiaries of the Company and the holding companies of CWT SG, which in turn holds the group of entities engaging in the following business segments of the Group: logistic services, commodity marketing, engineering services and financial services);
- (g) inter-company loan made by the Company to HNA Belt & Road and HNA Belt & Road BVI;
- (h) the assets of HNA Belt & Road, including a security assignment in respect of the inter-company loan made by HNA Belt & Road to HNA Belt & Road Singapore;

- (i) the assets of HNA Belt & Road BVI, including a security assignment in respect of the inter-company loan made by HNA Belt & Road BVI to HNA Belt & Road Singapore; and
- (j) certain shareholder loans made by HNA Group (International) Company Limited (an immediate shareholder of the Company) to the Company.

On 3 April 2019, the Company defaulted in payment of interest and fees totalling approximately HK\$63,000,000 in relation to the New Borrowing. As a result of the Default,

- (i) The Original Lenders have demanded immediate payment of the outstanding principal, interest and fees of the New Borrowing; and
- (ii) cross-default of a loan of the Group (the “**UK Property Loan**”) has been triggered. The UK Property Loan is secured with the UK Property and may be due for immediate repayment upon the relevant lender’s request under the cross-default provisions.

On 19 July 2019, the Company announced that the Company and the Original Lenders have reached an agreement to enter into a supplemental agreement to amend and supplement the Facility Agreement (the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement, and subject to the satisfaction of the relevant conditions precedent, the Original Lenders have agreed to (i) extend the maturity date of the original loan granted under the Facility Agreement of HK\$1,400,000,000 for twelve months from the utilisation date of the additional loan amount (being not more than the increase in the total commitments mentioned in (ii) below) provided for in the Supplemental Agreement; (ii) increase their total commitments under the Facility Agreement to up to HK\$1,640,000,000. Pursuant to the Supplemental Agreement, additional securities (including but not limited to corporate guarantees and working capital support) will be provided by the immediate shareholders of the Company, and affiliates of the controlling shareholder (as security providers) to secure the performance obligations of the Company under the Facility Agreement (as amended and supplemented by the Supplemental Agreement). Save for the above matters, the terms of the Facility Agreement remained largely the same.

On 5 August 2019, the Company announced that the Loan Extension with respect to the Facility Agreement had become effective, namely the draw down of the additional loan amount of approximately HK\$230,000,000 under the supplemental agreement to the Facility Agreement (which has been further amended and supplemented by way of a second supplemental agreement dated 2 August 2019) had occurred on 5 August 2019 and the maturity date of the total loan granted under the Facility Agreement (as amended and supplemented) of approximately HK\$1,630,000,000 had been extended to twelve months from 5 August 2019 with interest to be paid quarterly.

As a result of the Loan Extension taking effect, the enforcement actions (including the appointment of receivers) taken for and on behalf of the Original Lenders have been terminated and released, any property transferred to the security agent (on trust for the Original Lenders) has been returned.

With respect to the additional securities required under the Supplemental Agreement (as further amended and supplemented), in addition to the securities provided by the immediate shareholders of the Company and affiliates of the controlling shareholder of the Company (as stated in the previous announcement of 19 July 2019), the Company has granted a debenture in favour of the Original Lenders over the assets of the Company covering all present and future assets, undertaking, property and rights of the Company, of whatsoever nature and wherever situate, including but not limited to land, investments, plant and machinery, credit balances, book debts, insurances, contracts and receivables, and intellectual property.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient cash resources to continue as a going concern and pay its debt, including interest, when they fall due and have taken the following measures to strengthen the Group's ability to continue as a going concern:

**(a) Disposal plans of the Group to repay the amounts due under the Facility Agreement (as amended and supplemented)**

The Group intends to dispose of the UK Operation, the US Operation and the PRC Operation to repay the amount due under the Facility Agreement (as amended and supplemented).

In addition, the Directors are committed to focus on the provision of logistics services to optimise the structure of the Group and keep a stable operation. As a result, the Group also intends to dispose of certain operations engaging in business activities other than those related to logistics services. The Group has received a number of letters of intent or expressions of interest from potential buyers with respect to the disposal of these operations and the Directors have been actively negotiating with such potential buyers.

The Directors, after taking into account the quotation from potential buyers, are of the view that the net proceeds from the disposal of the aforesaid assets and operations would be sufficient to repay the outstanding principal, interest and fees in relation to the Facility Agreement (as amended and supplemented) in full when they fall due.

Some of aforesaid assets and operations are located (or are companies located) in the UK and the USA and, due to the recent geopolitical situations affecting these countries (including BREXIT and trade tensions between China and the USA), it has been a challenge identifying interested buyers for these assets and operations. The Group has been searching for interested buyers for quite some time and, in negotiating the terms for undertaking such disposals, the Group would need to take into account the benefit of undertaking the disposals in the short term in view of the continuing, or even growing, uncertainties affecting these markets.

**(b) Other financing measures**

To improve the Group's liquidity position, the Directors will also actively take other financing measures, including but not limited to maintaining good relationship with the current finance providers so that they will continue providing finance to the Group; and negotiating with potential finance providers for providing new facilities to the Group.

The Group will not be able to repay its outstanding debt and interests unless the above disposal plans and financing measures are implemented successfully. These conditions and circumstances indicate the existence of the material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As such, the Directors have reviewed the Group's cash flow projections prepared by the management which cover a period of not less than twelve months from 30 June 2019. Based on the cash flow projection, the Directors consider that, assuming the success of all the aforesaid disposal plans and financing measures, the Group will have sufficient working capital to finance its operations and to meet its obligations as and when they fall due for at least twelve months from 30 June 2019. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim financial report on a going concern basis. The interim financial report does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to operate as a going concern.

As at 30 June 2019, the Group had cash and cash equivalents of HK\$1,090,877,000 (31 December 2018: HK\$1,724,847,000). Cash and bank balances are mostly held in Hong Kong dollar, United States dollar, Singapore dollar, Euro and Renminbi and deposited in leading banks with maturity dates falling within one year. Correspondingly, the Group had loans and borrowings of HK\$7,544,841,000 (31 December 2018: HK\$9,668,978,000), of which an aggregated amount HK\$6,409,882,000 (31 December 2018: HK\$7,947,471,000) was repayable within one year.

Amongst these borrowings, secured loans (from banks and other parties) amounted to HK\$3,967,226,000 (31 December 2018: HK\$3,790,131,000) are pledged with the Group's assets as detailed below:

- (i) Land use rights of HK\$1,017,176,000 (31 December 2018: HK\$1,039,371,000);
- (ii) Investment properties in the UK of HK\$1,024,891,000 (31 December 2018: HK\$1,198,824,000);
- (iii) Bank deposits of approximately HK\$58,502,000 (31 December 2018: HK\$13,119,000);
- (iv) Property, plant and equipment, including land and building, of HK\$2,228,531,000 (31 December 2018: HK\$2,149,792,000);
- (v) Floating charges on existing fixed and floating assets;
- (vi) all issued shares in HNA Property Investment II (an indirect wholly-owned subsidiary of the Company and a holding company the UK Property);
- (vii) inter-company loan made by HNA International Property Investment Company One Limited (the immediate holding company of HNA Property Investment II and an indirect wholly-owned subsidiary of the Company) to HNA Property Investment II;
- (viii) all issued shares in HNA Recreational Property BVI (an indirect wholly-owned subsidiary of the Company and a holding company of the US Property);
- (ix) inter-company loan made by HNA International Recreational Property Company Limited (the immediate holding company of HNA Recreational Property BVI and a direct wholly-owned subsidiary of the Company) to HNA Recreational Property BVI;
- (x) all issued shares in Hillview Golf Development Company Ltd. (an indirect wholly-owned subsidiary of the Company and a holding company of the PRC Golf Course);
- (xi) all issued shares in each of HNA Belt & Road, HNA Belt & Road BVI and HNA Belt & Road Singapore (wholly-owned subsidiaries of the Company and the holding companies of CWT SG, which in turn holds the group of entities engaging in the following business segments of the Group: logistic services, commodity marketing, engineering services and financial services);
- (xii) inter-company loan made by the Company to HNA Belt & Road and HNA Belt & Road BVI;
- (xiii) the assets of HNA Belt & Road, including a security assignment in respect of the inter-company loan made by HNA Belt & Road to HNA Belt & Road Singapore;

- (xiv) the assets of HNA Belt & Road BVI, including a security assignment in respect of the inter-company loan made by HNA Belt & Road BVI to HNA Belt & Road Singapore; and
- (xv) certain shareholder loans made by HNA Group (International) Company Limited (an immediate shareholder of the Company) to the Company.

Revolving short-term trade facilities of the Group amounted to HK\$3,827,022,000 (31 December 2018: HK\$4,339,020,000) relate to short term trade related self-liquidating facilities to finance the Group's commodity marketing business. These are secured by bank balances and fixed deposits with carrying amount of HK\$58,502,000 (31 December 2018: HK\$13,119,000), trade and other receivables with carrying amount of HK\$1,920,274,000 (31 December 2018: HK\$2,066,640,000) and inventories with carrying amount of HK\$1,979,154,000 (31 December 2018: HK\$2,709,235,000).

As at 30 June 2019, the Group had total debt of HK\$7,372,056,000 (31 December 2018: HK\$5,329,958,000), comprising of loans and borrowings and convertible bonds but excluding the revolving short-term trade facilities amounted to HK\$3,827,022,000 (31 December 2018: HK\$4,339,020,000) (collectively, "**Total Debt**"). The consolidated net debt of the Group comprising of Total Debt minus pledged bank deposits, cash and bank balances amounted to HK\$6,222,677,000 (31 December 2018: HK\$3,591,992,000); and the total capital of the Group (measured as Total Debt plus equity attributable to owners of the Company) amounted to HK\$11,900,703,000 (31 December 2018: HK\$10,202,700,000). The Group's gearing ratio (net debt to total capital) as at 30 June 2019 was 52.3% (31 December 2018: 35.2%).

The Group maintains an appropriate level of foreign currency borrowings, as determined by management, for natural hedge to minimise the foreign exchange exposure. As at 30 June 2019, the borrowings are mainly denominated in Singapore dollar, United States dollar, Great British Pound and Renminbi.

### **Material Acquisitions and Disposals**

There were no material acquisitions and disposals during the six months ended 30 June 2019.

### **Potential Future Disposals**

As explained in Note 2 to the Group's interim financial report, the Group is in the process of undertaking a number of disposal plans to obtain sufficient cash resources to repay the amounts due under the Facility Agreement (as amended and supplemented), including the possible disposal of certain of the Group's assets and operations. Depending on the market conditions and the time frame within which the aforesaid disposals are undertaken, the Group may not be able to realise the full fair value of such assets or operations through the disposals.

## **Looking Forward and Our Strategies**

We are aware of the difficulties in the future liquidity and the performance of the Company. The Company will explore all possible measures to optimise the capital structure, including various disposals of assets under the Group.

We endeavor to complete three major disposal transactions in relation to the assets under the Group by the end of this year. These assets include:

- 1) UK Property;
- 2) US Property; and
- 3) PRC Golf Course.

Some of aforesaid assets and operations are located in the UK and the USA. As of the recent geopolitical situations affecting these countries (including BREXIT and trade tensions between China and the USA), it has been a challenge identifying interested buyers for these assets and operations.

The Group has been searching for interested buyers for quite some time and, in negotiating the terms for undertaking such disposals, we expect the proceeds from these aforesaid disposals are able to cover a major part of the debt incurred in the Loan Extension and provide necessary liquidity to the Group.

In addition, we are committed to focus on the provision of logistics services to optimise the structure of the Group and keep a stable operation. We intend to dispose of certain operations engaging in business activities other than those related to logistics services. The Group has received a number of letters of intent or expressions of interest from potential buyers with respect to the disposal of these operations and the Group have been actively negotiating with such potential buyers.

## **INTERIM DIVIDEND**

The Board did not declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 or otherwise) during the period under review.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules for the reporting period from 1 January 2019 to 30 June 2019, except the following deviations:

1. Pursuant to code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xu Haohao was the Chief Executive Officer of the Company during the period from 9 November 2018 to 20 February 2019, and he also acted as the Co-Chairman of the Board. The Board believes that vesting the roles of both Co-Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient on overall strategic planning for the Group. In addition, Mr. Guo Ke, as the Co-Chairman of the Board, shared the role and responsibilities as chairman of the Board with Mr. Xu Haohao over the relevant period.

The Board considers this structure enables the Company to make and implement decisions more promptly and effectively at the relevant time. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a sufficient number thereof being Independent Non-executive Directors.

*Note:* Mr. Xu Haohao ceased to be the Chief Executive Officer of the Company and Mr. Li Tongshuang was appointed as Chief Executive Officer of the Company, with effect from 20 February 2019.

2. Pursuant to the code provision E.1.3 of the CG Code, the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting. On 6 June 2019, a notice convening the annual general meeting on 28 June 2019 was announced and despatched to the shareholders of the Company. Given that the 2018 annual report, which should have been released by the end of April 2019, was finally released by the Company on 6 June 2019 in order to provide shareholders with more updated information on the latest developments with respect to the Group’s defaulted loan, and the auditors’ disclaimer of opinion on the consolidated financial statements for the year ended 31 December 2018, the notice convening the general meeting was released on the same day as the annual report. Although such notice was given less than 20 clear business days before the annual general meeting, it nevertheless fulfilled the requirements for giving at least 21 days’ notice in accordance with the Companies Ordinance (Chapter 622, the laws of Hong Kong).

## **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 all management and staff for their hard work and dedication throughout the period.

## **CONTINUED SUSPENSION OF TRADING**

Reference is made to the announcements of the Company dated 10 April 2019, 6 June 2019, 9 July 2019, 19 July 2019 and 5 August 2019.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted from 2:32 p.m. on 10 April 2019. The shares of the Company will remain suspended until the materialization of the disposal plans of the Group gearing towards the repayment of the amounts due and payable under the Facility Agreement (as amended and supplemented) and the approval of the resumption proposal of the Company by the Stock Exchange.

By order of the Board  
**CWT INTERNATIONAL LIMITED**  
**Ding Lei**  
*Executive Director*

Hong Kong, 28 August 2019

*As at the date of this announcement, the Board comprises Mr. Zhu Weijun (Executive Director and Co-Chairman), Mr. Ding Lei (Executive Director and Co-Chairman), Mr. Li Tongshuang (Executive Director and Chief Executive Officer), Mr. Zhao Quan (Executive Director), Mr. Chen Chao (Executive Director), Mr. Mung Bun Man, Alan (Non-executive Director), Mr. Leung Shun Sang, Tony (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director), Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director) and Ms. Chen Lihua (Independent Non-executive Director).*