



九號運通有限公司  
Nine Express Limited

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



2016  
Interim Report

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors:*

Mr. Wan Peizhong (*Chairman*)  
Mr. Xiang Junjie (*Chief Executive Officer*)  
Mr. Tai Yat Chung  
Mr. Li Wenjun  
Mr. Zhong Yingchang  
Mr. Ji Jianguo

#### *Independent Non-executive Directors:*

Mr. Tang Ping Sum  
Mr. Tsui Pui Hung  
Mr. Chiu Sin Nang, Kenny  
Mr. Gao Hong

### Company Secretary

Mr. Chan Chun Fat

### Solicitors

Fairbairn Catley Low & Kong  
23/F, Shui On Centre  
6-8 Harbour Road  
Hong Kong

### Auditor

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

### Principal Bankers

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### Head Office and Principal Place of Business in Hong Kong

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

The board (the “Board”) of directors (the “Directors”) of Nine Express Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company, its subsidiaries and associates (collectively the “Group”) for the six months ended 30 June 2016 with the comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	5	12,237	11,432
Cost of sales		(2,893)	(2,679)
Gross profit		9,344	8,753
Other income		53	94
Administrative expenses		(27,251)	(21,048)
Selling and marketing expenses		(466)	(2,216)
<b>Operating loss</b>	7	<b>(18,320)</b>	<b>(14,417)</b>
Finance income	6	52	218
Finance costs	6	(5,084)	(14,057)
Finance costs – net	6	(5,032)	(13,839)
Share of loss of investment in associates		(1,963)	(6)
<b>Loss before income tax</b>		<b>(25,315)</b>	<b>(28,262)</b>
Income tax expense	8	(1,807)	(1,893)
<b>Loss for the period attributable to owners of the Company</b>		<b>(27,122)</b>	<b>(30,155)</b>
<b>Loss per share</b>	10		
Basic		<b>HK(1.33) cents</b>	HK(2.01) cents
Diluted		<b>HK(1.33) cents</b>	HK(2.01) cents

Details of the dividend are disclosed in note 9 to the condensed consolidated financial statements.

The notes on pages 9 to 22 form an integral part of these condensed consolidated financial statements.

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

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Loss for the period attributable to owners of the Company	(27,122)	(30,155)
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(35)	(909)
Total comprehensive income for the period attributable to owners of the Company	(27,157)	(31,064)

The notes on pages 9 to 22 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		<b>30 June 2016</b>	31 December 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		92,722	66,133
Land use rights		88,366	92,435
Investment property		272,953	272,953
Investments in associates	11	1,039,343	145,868
Available-for-sale financial assets		248,952	105,050
Prepayments and other receivables		29,809	20,389
Film rights		102	102
		<hr/>	<hr/>
Total non-current assets		1,772,247	702,930
<b>Current assets</b>			
Properties development in progress		1,123,147	1,073,710
Inventories		3	7
Trade and rental receivables	12	10,644	10,726
Prepayments and other receivables		19,914	57,307
Tax recoverable		85	83
Restricted bank deposits		2,455	2,561
Cash and cash equivalents		21,381	57,175
		<hr/>	<hr/>
Total current assets		1,177,629	1,201,569
<b>Current liabilities</b>			
Trade and land payables	13	69,642	28,031
Other payables, accruals and deposits received		113,327	45,641
Borrowings	14	315,055	390,890
Finance lease payables		412	1,018
		<hr/>	<hr/>
Total current liabilities		498,436	465,580
<b>Net current assets</b>		<hr/> <b>679,193</b>	<hr/> 735,989
<b>Total assets less current liabilities</b>		<hr/> <b>2,451,440</b>	<hr/> 1,438,919

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2016

		<b>30 June</b>	31 December
		<b>2016</b>	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<b>(unaudited)</b>	(audited)
<b>Non-current liabilities</b>			
Deposits received		<b>2,659</b>	2,659
Borrowings	<i>14</i>	<b>353,548</b>	293,874
Convertible notes	<i>15</i>	<b>128,765</b>	–
Deferred tax liabilities		<b>175,311</b>	173,561
Total non-current liabilities		<b>660,283</b>	470,094
<b>Net assets</b>		<b>1,791,157</b>	968,825
<b>Equity attributable to owners of the Company</b>			
Issued share capital	<i>16</i>	<b>24,712</b>	16,825
Other reserves		<b>1,766,445</b>	952,000
<b>Total equity</b>		<b>1,791,157</b>	968,825

The notes on pages 9 to 22 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 (unaudited)

	Attributable to owners of the Company									
	Issued share capital	Share premium	Contributed surplus <sup>1</sup>	Equity component of convertible notes	Exchange reserve	Special reserve <sup>2</sup>	Share options reserve	Warrants reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015	14,981	939,167	459,047	-	63,743	17,926	46,438	2,114	(88,961)	1,454,455
Total comprehensive income for the period	-	-	-	-	(909)	-	-	-	(30,155)	(31,064)
Issue of shares (note 16(b))	71	6,830	-	-	-	-	-	(1,903)	-	4,998
<b>Change in equity for the period</b>	<b>71</b>	<b>6,830</b>	<b>-</b>	<b>-</b>	<b>(909)</b>	<b>-</b>	<b>-</b>	<b>(1,903)</b>	<b>(30,155)</b>	<b>(26,066)</b>
Balance at 30 June 2015	15,052	945,997	459,047	-	62,834	17,926	46,438	211	(119,116)	1,428,389
Balance at 1 January 2016	16,825	1,140,412	459,047	-	7,180	17,926	39,804	13,496	(725,865)	968,825
Total comprehensive income for the period	-	-	-	-	(35)	-	-	-	(27,122)	(27,157)
Issue of shares (note 16(c))	7,887	740,262	-	(334,561)	-	-	-	-	-	413,588
Issue of convertible notes (note 15(a))	-	-	-	435,901	-	-	-	-	-	435,901
<b>Change in equity for the period</b>	<b>7,887</b>	<b>740,262</b>	<b>-</b>	<b>101,340</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,122)</b>	<b>822,332</b>
Balance at 30 June 2016	24,712	1,880,674	459,047	101,340	7,145	17,926	39,804	13,496	(752,987)	1,791,157

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

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

The notes on pages 9 to 22 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash generated from/(used in) operating activities	<b>14,731</b>	(131,545)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(26,995)</b>	(15,893)
Proceeds from disposal of property, plant and equipment	<b>2</b>	112
Related cost of acquisition of interest in an associate	<b>(5,138)</b>	–
Advance to an associate	<b>(1,000)</b>	–
Decrease in restricted bank deposits	<b>106</b>	–
Interest received	<b>16</b>	218
Net cash used in investing activities	<b>(33,009)</b>	(15,563)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	–	4,998
Proceeds from borrowings	–	465,631
Repayment of borrowings	<b>(16,754)</b>	(330,690)
Interest paid on borrowings	<b>(17)</b>	(18)
Interest element of finance lease rental payments	<b>(16)</b>	(47)
Capital element of finance lease rental payments	<b>(606)</b>	(640)
Net cash (used in)/generated from financing activities	<b>(17,393)</b>	139,234
<b>Net decrease in cash and cash equivalents</b>	<b>(35,671)</b>	(7,874)
Cash and cash equivalents at beginning of the period	<b>57,175</b>	61,696
Effect of foreign exchange rate changes, net	<b>(123)</b>	(1,015)
Cash and cash equivalents at end of the period	<b>21,381</b>	52,807
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>21,381</b>	52,807

The notes on pages 9 to 22 form an integral part of these condensed consolidated financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Corporate information

Nine Express Limited (formerly known as “Cheung Wo International Holdings Limited”) (the “Company”) was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group consist of film distribution and licensing, film processing, rental of property, property and hotel development and energy saving environmental protection.

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

### 2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### 3 Principal accounting policies

These condensed consolidated financial statements have been prepared on the historical cost convention except for an investment property, which have been measured at fair value.

Except for taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3 Principal accounting policies (continued)

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except for the new adoption of HKFRS as disclosed below.

- (a) New amendments to standards mandatory for the first time for the periods beginning 1 January 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of these new amendments or developments to standards had no significant financial effect on these unaudited condensed consolidated interim financial statements.

- (b) New standards and amendments to standards that have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact of adoption of the above new standards and amendments to standards that have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted, but is not yet in a position to state whether these new standard and amendments to standards would have a significant impact on its results of operations and financial position.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

### 5 Revenue and segmental information

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

#### For the six months ended 30 June 2016 (unaudited)

	Property rental HK\$'000	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property and hotel development HK\$'000	Energy saving environmental protection HK\$'000	Total HK\$'000
Segment revenue:						
External revenue	10,132	801	1,304	-	-	12,237
Segment results	6,591	(3,324)	(726)	(3,961)	(5)	(1,425)
Unallocated corporate expenses						(18,858)
Finance income						52
Finance costs						(5,084)
Loss before income tax						(25,315)
Income tax expense						(1,807)
Loss for the period						(27,122)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

5 Revenue and segmental information (continued)

For the six months ended 30 June 2015 (unaudited)

	Property rental HK\$'000	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property and hotel development HK\$'000	Total HK\$'000
Segment revenue:					
External revenue	10,352	454	626	–	11,432
Segment results	6,799	(8,471)	(1,404)	(8,484)	(11,560)
Unallocated corporate expenses					(2,863)
Finance income					218
Finance costs					(14,057)
Loss before income tax					(28,262)
Income tax expense					(1,893)
Loss for the period					(30,155)

The following table presents segment assets of the Group's reportable segments as at 30 June 2016 and 31 December 2015:

As at 30 June 2016 (unaudited)

	Property rental HK\$'000	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property and hotel development HK\$'000	Energy saving environmental protection HK\$'000	Total HK\$'000
Segment assets	307,563	4,144	2,588	1,459,856	1,039,343	2,813,494
Unallocated corporate assets						136,382
Total assets						2,949,876

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5 Revenue and segmental information (continued)

As at 31 December 2015 (audited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	304,644	8,416	2,800	1,410,031	1,725,891
Unallocated corporate assets					178,608
Total assets					1,904,499

### 6 Finance costs (income) – net

An analysis of finance costs and income is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Finance costs:		
Interest on bank borrowings wholly repayable within five years	<b>17,929</b>	35,312
Interest on convertible notes	<b>5,050</b>	–
Interest on finance leases	<b>16</b>	47
Interest on other borrowings	<b>16,129</b>	13,511
Foreign exchange difference, net	<b>–</b>	481
	<b>39,124</b>	49,351
Less: amounts capitalised on qualifying assets	<b>(34,040)</b>	(35,294)
Total finance costs	<b>5,084</b>	14,057
Finance income:		
Interest income on short-term bank deposits	<b>(16)</b>	(218)
Foreign exchange difference, net	<b>(36)</b>	–
Total finance income	<b>(52)</b>	(218)
Finance costs – net	<b>5,032</b>	13,839

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 7 Operating loss

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditors' remuneration	737	1,167
Cost of inventories recognised as expenses*	6	51
Uncollected trade receivables recovered	–	(69)
Reversal of provision for impairment of trade receivables	(51)	(23)
Operating lease rentals in respect of buildings	2,579	2,985
Depreciation	2,507	2,217
Professional fees	7,620	3,994
Gain on disposal of property, plant and equipment	(1)	(27)
Selling and marketing expenses	51	2,216

\* Cost of inventories recognised as expenses for the period are included in "cost of sales" on the face of the condensed consolidated income statement.

### 8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The applicable tax rate for the Group's operation in the mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax	–	–
Deferred tax	1,807	1,893
Total tax charge for the period	1,807	1,893

### 9 Dividends

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 10 Loss per share

#### (a) Basic

The calculation of basic loss per share amount is based on the loss for the period of approximately HK\$27,122,000 (2015: HK\$30,155,000) attributable to owners of the Company, and the weighted average number of approximately 2,041,558,000 (2015: 1,498,594,000) ordinary shares in issue during the period.

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three (2015: two) categories of dilutive potential ordinary shares: convertible notes share options and warrants (2015: share options and warrants). For the share options and warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated is compared with the number of shares that would have issued assuming the exercise of the share options and warrants. For the convertible notes, it is assumed to be converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect.

In calculating the diluted loss per share for the period ended 30 June 2016 and 2015, the potential ordinary shares arising from the assumed conversion of the convertible notes, share options and warrants (2015: share options and warrants) has no dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

### 11 Investments in associates

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Unlisted investments:		
Share of net assets	1,038,343	115,868
Loan to an associate	1,000	30,000
	<b>1,039,343</b>	<b>145,868</b>

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 12 Trade and rental receivables

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

	As at <b>30 June</b> <b>2016</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 December 2015 <i>HK\$'000</i> (audited)
0 – 90 days	5,196	5,718
91 – 180 days	4,564	4,714
181 – 365 days	821	229
Over 1 year	63	65
	<b>10,644</b>	10,726

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

### 13 Trade and land payables

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

	As at <b>30 June</b> <b>2016</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 December 2015 <i>HK\$'000</i> (audited)
0 – 90 days	67,349	25,619
91 – 180 days	429	745
181 – 365 days	1,000	1,012
Over 1 year	864	655
	<b>69,642</b>	28,031

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

14 Borrowings

	Maturity	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
<b>Current</b>			
Bank loan – secured ( <i>note i</i> )	On demand	733	839
Bank loan – secured ( <i>note ii</i> )	2015-2021	18,906	94,529
Entrusted bank loan – secured ( <i>note iii</i> )	August 2016	295,404	295,404
Bank loan – secured ( <i>note iv</i> )	June 2017	12	118
		<b>315,055</b>	390,890
<b>Non-current</b>			
Bank loan – secured ( <i>note ii</i> )	2015-2021	200,874	141,794
Other loan – secured ( <i>note v</i> )	January 2018	152,674	152,080
		<b>668,603</b>	684,764

- (i) At 30 June 2016, the Group's bank borrowing of approximately HK\$733,000 (2015: HK\$839,000) was secured by the leasehold land and buildings with a net carrying amount of approximately HK\$686,000 (2015: HK\$699,000) and was interest-bearing at prime rate minus 1.5% per annum (2015: same).
- (ii) At 30 June 2016, the Group's bank borrowing of approximately HK\$219,780,000 (2015: HK\$236,323,000) was secured by the Group's land use right with a net carrying amount of approximately HK\$88,366,000 (2015: HK\$92,435,000). According to the repayment terms, the bank borrowing will be repayable from December 2015 to June 2018. In March 2016, the repayment period was extended further to April 2021. The bank borrowing was interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years granted by financial institutions (2015: same).
- (iii) At 30 June 2016, the Group's entrusted bank borrowing of approximately HK\$295,404,000 (2015: HK\$295,404,000) was secured by the Group's properties development in progress with a net carrying amount of approximately HK\$469,374,000 (2015: HK\$469,374,000). According to the repayment terms, the bank borrowing will be repayable in August 2016 (2015: same). The bank borrowing was interest-bearing at 7.6% (2015: same) per annum.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 14 Borrowings (continued)

- (iv) At 30 June 2016, the Group's bank borrowing of approximately HK\$12,000 (2015: HK\$118,000) was secured by the Group's bank deposits of approximately HK\$18,000 (2015: HK\$142,000). The bank borrowing was interest-bearing at 4.40% per annum.
- (v) At 30 June 2016, the Group's other borrowing of approximately HK\$152,674,000 (2015: HK\$152,080,000) was interest-bearing at 20% per annum.

The other borrowing was secured and guaranteed by:

- (a) share charges over certain subsidiaries of the Group, namely Cheung Wo (Hunan) Property Limited, Brilliant Field Corporation Limited, Sino Step Inc., Profit Source International Limited and Chengdu Zhongfa Real Estate Co. Limited.;
- (b) inter-companies loans;
- (c) a personal guarantee executed by Mr. Cheng Keung Fai ("Mr. Cheng"), a controlling shareholder of the Company.

### 15 Convertible notes

On 30 March 2016, the Company's issued convertible notes in a principal amount of HK\$822,000,000 at the initial conversion price of HK\$0.80 per conversion share were created and issued to the Sky-Linked International Limited and its nominees by the Company in accordance with the terms of the formal sale and purchase agreement dated 16 November 2015 (as supplemented by the supplemental agreement dated 17 February 2016) in respect of an acquisition of 49% interests in the companies engaging in environmental energy saving technological business.

Assuming full conversion of the convertible notes in the amount of HK\$822,000,000 at the initial conversion price of HK\$0.80 per conversion share, the convertible notes will be converted into a maximum of 1,027,500,000 shares of the Company.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15 Convertible notes (continued)

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

	<i>HK\$'000</i>
Fair value of convertible notes issued	973,202
Equity component	<u>(435,901)</u>
Liability component	<u>537,301</u>

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

	<b>As at 30 June 2016 <i>HK\$'000</i> (unaudited)</b>	<b>As at 31 December 2015 <i>HK\$'000</i> (audited)</b>
At 1 January	–	–
Liability component on initial recognition	<b>537,301</b>	–
Conversion of convertible notes	<b>(413,586)</b>	–
Interest expense	<b>5,050</b>	–
At 30 June 2016/31 December 2015	<u><b>128,765</b></u>	–

For the period ended 30 June 2016, interest expense on the liability component of the convertible notes was calculated using the effective interest method, applying the effective interest rate of 12.9% (2015: Nil) per annum to the liability component.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

16 Issued share capital

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
<b>Authorised:</b>		
100,000,000,000 (2015: 100,000,000,000) ordinary shares of HK\$0.01 (2015: HK\$0.01) each	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
2,471,162,504 (2015: 1,682,538,504) ordinary shares of HK\$0.01 (2015: HK\$0.01) each	<b>24,712</b>	16,825

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

	<i>Note</i>	Number of shares	Amount HK\$'000
At 1 January 2015		1,498,096,766	14,981
Shares placement	(a)	175,500,000	1,755
Issue of shares	(b)	8,940,738	89
At 31 December 2015 and 1 January 2016		1,682,537,504	16,825
Issue of shares	(c)	788,625,000	7,887
At 30 June 2016		<b>2,471,162,504</b>	<b>24,712</b>

(a) On 25 November 2015, the Company completed a share placement by issuing 175,500,000 ordinary shares of HK\$0.01 each at a placing price of HK\$1.14 per placing share.

(b) During the year ended 31 December 2015, some of the warrant holders exercised their subscription rights to subscribe for 7,141,000 and 1,800,000 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.70 and HK\$0.68 per share respectively.

(c) On 7 and 11 April 2016, convertible notes with principal amount of HK\$378,540,000 and HK\$252,360,000 were converted into approximately 473,175,000 and 315,450,000 ordinary shares of HK\$0.01 each at a conversion price of HK\$0.80 each per conversion share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

17 Commitments

(a) Operating lease commitments

(i) As lessor

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

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Within one year	19,663	19,449
Between two to five years	81,326	81,941
Over five years	122,373	125,600
	<b>223,362</b>	<b>226,990</b>

(ii) As lessee

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

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Within one year	3,392	3,913
Between two to five years	6,357	7,393
	<b>9,749</b>	<b>11,306</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17 Commitments (continued)

#### (b) Other commitments

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

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
<b>Contracted but not provided for:</b>		
Property and hotel development	1,905,762	1,887,590
Available-for-sale financial assets	4,950	4,950
	<b>1,910,712</b>	<b>1,892,540</b>

### 18 Related party disclosures

#### (i) Related party transactions

In addition to the transactions detailed elsewhere in these condensed consolidated financial information, the Group had no material transactions with related parties during the period ended 30 June 2016.

During the period ended 30 June 2015, a subsidiary of the Company entered into a construction contract with a PRC entity, for the provision of hotel decoration services. Mr. Cheng was the shareholder of this PRC entity as at 30 June 2015.

The subsidiary has advanced HK\$110,000,000 to this PRC entity as prepayment for construction costs.

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

The remunerations of the Directors during the period are short-term benefits of approximately HK\$2,194,000 (2015: HK\$1,306,000). It is determined by reference to market terms, individual responsibilities and performance.

### 19 Approval of the condensed consolidated financial statements

These condensed consolidated financial statements were approved and authorised for issue by the Board on 25 August 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2016, China's economy remained at a difficult stage, marked by the continued deceleration of economic growth, which has brought about increased challenges for the Group. Although the Group's recorded loss during the period, from a strategic perspective, however, the past six months saw significant progress in implementing operational fundamentals that laid a solid foundation for the future success of the Group.

### COMPLETED ACQUISITION OF EVER-GRAND DEVELOPMENT LIMITED

During the first half of 2016, the Group maintained a clear focus in executing its business diversification strategy to restore long-term competitiveness. By the end of March, we completed the acquisition of 49% equity interest in Ever-Grand Development Limited, an important initiative that has enabled the Group to enter into the environmental heat energy saving technological business, which is a new energy with multi-billion dollar market potential.

### RENAMED AS NINE EXPRESS LIMITED

The Group was renamed to Nine Express Limited at the end of May 2016. This along with the placement of a new management team, shows our firm commitment to making strategic changes in our future development, to meet the myriad challenges ahead.

### FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$12,237,000 (2015: HK\$11,432,000), accounting for an increase of approximately 7.0%. Loss attributable to the owners of the Company of approximately HK\$27,122,000 (2015: HK\$30,155,000).

For the period under review, property rental income was stable and contributed approximately HK\$10,132,000 (2015: HK\$10,352,000) to the total turnover while film distribution and processing businesses accounted for 17.2% (2015: 9.4%) of the total turnover, amounted to approximately HK\$2,105,000 (2015: HK\$1,080,000).

Loss attributable to shareholders was HK\$27,122,000 (2015: HK\$30,155,000). Basic loss per share was approximately HK1.33 cents (2015: HK2.01 cents). The Board does not recommend dividend payout for the six months ended 30 June 2016 (2015: Nil). As at 30 June 2016, cash and cash equivalents was approximately HK\$21,381,000 (31 December 2015: HK\$57,175,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD

On 31 March 2016, a Company's subsidiary extended the repayment period of a loan agreement with a PRC bank, extending the due date from 2018 to 2021, for an outstanding term loan of RMB189,000,000 which is interest bearing at the market rate. Under such loan agreement, the borrowing was secured by the land situated in Xiangtan, Hunan (which was held for the hotel development project) and guaranteed by certain related parties of the Company.

On 30 March 2016, the Company completed the acquisition of 49% of the entire issued capital in Ever-Grand Development Limited which is engaged in the energy saving environmental protection project by distribution of steam and heat produced by a power plant in Dongguan City to the industrial customers in certain areas in Humen town and Changan town of Dongguan City, Guangdong Province respectively.

On 13 July 2016, Upbest Securities Company Limited (the "Placing Agent") and the Company entered into the placing agreement (the "Placing Agreement") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 494,232,500 placing shares at the placing price of HK\$0.323 per placing share and it was expected that the net proceeds from the placing will be approximately HK\$153.9 million. On 3 August 2016, the Company and the Placing Agent agreed to terminate the Placing Agreement by entering into the deed of termination to terminate the Placing Agreement with immediate effect.

On 26 July 2016, a Company's subsidiary renewed an entrusted loan agreement with a PRC bank, extending a period of 12 months, for the term loan of RMB250,000,000 which is interest bearing at the market rate. Under such loan agreement, the borrowing was secured by the land situated in Xiangtan, Hunan (which was acquired by the Group in October 2013 for the residential development project) and guaranteed by certain related parties of the Company.

On 5 August 2015, Cheung Wo (Hunan) Property Limited ("Cheung Wo (Hunan)"), a wholly owned subsidiary of the Company entered into a subscription agreement (the "Subscription Agreement") with Silver Ridge International Limited (the "Subscriber"), pursuant to which, the Subscriber agreed to subscribe and Cheung Wo (Hunan) agreed to allot and issue the subscription shares at the subscription price of HK\$200,000,000. Upon completion, the Subscriber will be interested in 63% of the enlarged issued share capital of Cheung Wo (Hunan); and the Company's interest in Cheung Wo (Hunan) will be diluted to 37%, representing a decrease of 63%. Upon completion, Cheung Wo (Hunan) will cease to be a subsidiary of the Company. The financial results of Cheung Wo (Hunan) Group will be accounted for using equity method in the Group's financial statements. In view of the property market in Xiangtan and the stringent PRC banking policies in releasing loans to property companies, Cheung Wo (Hunan) Group is facing a slow return from its selling of properties and it is difficult to obtain financing with favourable terms from independent financial institutions to fund the current development of the property project. Further, debt financing would increase the gearing level of the Group and the interest expense incurred would impose additional financial burden to the Group's future cash flows, hence the Directors considered that the transaction under the Subscription Agreement represents a good opportunity to raise capital for the future development of Cheung Wo (Hunan) Group. Further details of the Subscription Agreement and the transaction contemplated thereunder are set out in the Company's announcement dated 5 August 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW

During the period, the Group continued to focus on property and hotel development in Xiangtan, Hunan Province, China (the “Xiangtan Project”), property rentals in Chengdu, Sichuan Province, China (the “Chengdu Project”), as well as film production and related operations. In addition, the Group has begun to tap into the centralised heat supply business in an effort to diversify its overall business portfolio.

### Property and Hotel Development Business

#### *(i) Xiangtan Project*

The Xiangtan Project is located in the Jiuhua Economic Zone of Xiangtan, Hunan, adjacent to the Xiangjiang River (湘江). On a planned land area of 325,989 sq. m., the Group has developed a five-star hotel and low density residential units.

Construction work on the five-star hotel has already been completed while decor work is expected to begin soon. The construction of phase one of the low density villas (the “Phase 1 Properties”) and its related infrastructure has also been completed. Since obtaining a pre-sale permit for a gross floor area (“GFA”) of 24,708 sq. m. the Group has sold to date approximately 4,300 sq. m. The launch of official sales of the Phase 1 properties is planned in the second half of 2016, opening a new source of revenue for the Group.

#### *(ii) Chengdu Project*

Situated in Jinniu District, Chengdu, PRC, the Chengdu Project is a shopping complex which is almost fully rented out and occupied. The long lease terms of the tenancy of the Chengdu Project provides sustainable and steady income to the Group. For the six months ended 30 June 2016, revenue from the Chengdu Project recorded HK\$10,132,000. (2015: HK\$10,352,000).

### Film Production and Related Business

Film production and its ancillary businesses have been the key cornerstones for the Group. We have been actively exploring opportunities to improve profitability in this sector. However, it will not be the core business of the Group in the future. Less resources will be put in this business and more focus will be placed on our new business sectors with a view to providing greater overall benefits to the Company and its shareholders. For the six months ended 30 June 2016, film production and related businesses recorded revenues of approximately HK\$2,105,000 (2015: HK\$1,080,000), representing an increase of 94.9%. The loss before income tax narrowed from HK\$9,875,000 to HK\$4,050,000 in the same period of 2016 as the Group had made a restructuring of the existing film group for strategic plan purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Centralised Heat Supply Business**

Due to its advantage of greater energy efficiency, centralised heat supply was enthusiastically promoted by the PRC Government. According to 《關於推進我省工業園區和產業集聚區集中供熱的意見》(the “Opinion Relating to Promoting Centralised Heat Supply for Industrial Parks and Zones in Guangdong Province”\*) published by the National Development and Reform Commission of the Guangdong Provincial Government in December 2013, the Guangdong Provincial Government is actively promoting the development of centralised heat supplies in industrial parks and zones. In addition, the 《2014 – 2015年節能減排低碳發展行動方案的通知》 (“2014 – 2015 Action Plan on Energy Conservation, Emission Reduction and Low-Carbon Development”), issued by the State Council, stated that old scattered coal-fired boilers should be progressively phased out in lock step with the development of centralised heat supply.

On 16 November 2015, the Group entered into a formal sale and purchase agreement with Sky-Linked International Limited, pursuant to which the Group has agreed to acquire 49% of the entire issued share capital of Ever-Grand Development Limited, at the consideration of HK\$882,000,000, which will be satisfied by: (i) HK\$60,000,000 in cash; and (ii) HK\$822,000,000 through the issue of convertible notes.

Ever-Grand Development Limited holds 80% equity interests in Dongguan City Dejin Energy Technology Company Limited and Dongguan City Dejin Thermal Power Company Limited (together “Dejin”), which are engaged in an energy-saving environmental protection project through the provision of steam and heat produced at a power plant in Dongguan City to industrial customers in certain areas of Humen and Changan in Dongguan City, Guangdong Province.

On 30 March 2016, the transaction was completed and the Group officially began its operations in the centralised heat supply business.

Dejin has been granted operation licenses to engage in the centralised heat supply projects in both Humen and Changan. For the Humen project, the construction of the first phase of pipeline work is finished and commercial operations started in January 2016. For the Changan project, the construction of pipeline work is currently ongoing and its commercial operation is expected to begin sometime within 2016. Apart from Humen and Changan, the Group is actively planning to extend its reach to other areas in Dongguan City with the aim to creating wider scope of network coverage.

During the period, there has been no obvious contribution from this segment as Dejin will construct more transmission pipelines in Humen and it is expected to bring in benefits to the Group after the transmission pipelines are fully operational. Expectations are high about the great demand and developmental potential for centralised heat supply. For this reason the Group is optimistic about future prospects in this business sector.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### PROSPECTS

Going forward, our commitment towards executing our business diversification strategy remains as strong as ever. With a new positioning and implementation of key corporate strategies, the Group will focus more on energy saving technology business, as well as further explore other business opportunities such as financial services business and other viable and profit making businesses. The plan is to diversify the Group's overall business portfolio and broaden its income base in the best interests of the Company and its shareholders.

In the coming year, the Group plans to expand its centralised heat supply operations by, among others, acquiring further equity interest in Ever-Grand Development Limited. In addition, the Group will seek to extend its foothold into other areas of Dongguan city.

The intense efforts we have put forth over the past six months have already laid the foundation for our future business growth. The Directors are confident that our continued focus and determined execution of strategic priorities will gradually be reflected in the financial results.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's net current assets was approximately HK\$679,193,000 (31 December 2015: HK\$735,989,000), with current assets of approximately HK\$1,177,629,000 (31 December 2015: HK\$1,201,569,000) and current liabilities of approximately HK\$498,436,000 (31 December 2015: HK\$465,580,000), representing a current ratio of approximately 2.4 (31 December 2015: 2.6). As at 30 June 2016 the Group had cash and cash equivalents of approximately HK\$21,381,000 (31 December 2015: HK\$57,175,000).

### CAPITAL STRUCTURE

The Group's total equity amounted to approximately HK\$1,791,157,000 as at 30 June 2016 (31 December 2015: HK\$968,825,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

As at 30 June 2016, the Group's outstanding borrowings and convertible notes were approximately of HK\$797,368,000 (31 December 2015: HK\$684,764,000). The Group's bank borrowings of approximately HK\$219,780,000 (2015: HK\$236,323,000) were secured by the Group's land use right with a net carrying amount of approximately HK\$88,366,000 (2015: HK\$92,435,000) and the Group's bank borrowings of approximately HK\$295,404,000 (2015: HK\$295,404,000) were secured by the Group's property development in progress with a net carrying amount of approximately HK\$469,374,000 (2015: HK\$469,374,000). The Group's current bank borrowings of approximately HK\$733,000 (2015: HK\$839,000) were secured by the leasehold land and buildings, with a net carrying amount of approximately HK\$686,000 (2015: HK\$699,000) and obligations under finance leases of approximately HK\$412,000 (2015: HK\$1,018,000) were secured by a motor vehicle with a net carrying amount of approximately HK\$532,000 (2015: HK\$1,330,000). The Group's bank borrowings of approximately HK\$12,000 (2015: HK\$118,000) was secured by the Group's bank deposits of approximately HK\$18,000 (2015: 142,000). The Group's other borrowings of approximately HK\$152,674,000 (2015: HK\$152,080,000) was secured by the share charges over certain subsidiaries of the Group, inter-companies loans and a personal guarantee executed by Mr. Cheng, a controlling shareholder of the Company. The gearing ratio based on borrowings, obligations under finance leases and convertible notes over total equity as at 30 June 2016 was approximately 0.445 (31 December 2015: 0.708).

### **EXPOSURE TO FOREIGN EXCHANGE**

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

### **COMMITMENTS AND CONTINGENT LIABILITIES**

Save for those disclosed in Notes 17 to the condensed consolidated financial statements, there were no other capital commitments nor contingent liabilities that the Group is aware of.

### **EMPLOYEES AND REMUNERATION POLICIES**

Staff costs for the period was approximately HK\$7,878,000 (2015: HK\$7,417,000), representing an increase of approximately 6.2%. The Group had a workforce of 96 (2015: 78) staff including 16 (2015: 16) staff in the film processing business as at 30 June 2016. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the period.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2016, none of the Directors and chief executive of the Company had any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange.

### **Directors' rights to acquire shares or debentures**

Other than as disclosed under the heading “Share options”, at no time during the period was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

### **Share options**

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

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

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

During the period under review, no share option was granted, exercised, cancelled or lapsed under the Scheme. The outstanding share option granted to Directors and employees under the Scheme and yet to be exercised are disclosed as follows:

	Date of grant	Exercisable period	Exercise price per share <i>HK\$</i>	Number of share options				Outstanding as at 30.6.2016
				Outstanding as at 1.1.2016	Granted during the review period	Exercised during the review period	Cancelled/lapsed during the review period	
<b>Director</b>								
Ms. Law Kee, Alice ("Ms. Law")	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	-	-	-	11,116,038
				11,116,038	-	-	-	11,116,038
<b>Employees</b>								
In aggregate	5.11.2013	5.11.2013 to 4.11.2023	0.94	55,580,190	-	-	-	55,580,190
Total				66,696,228	-	-	-	66,696,228

### Notes:

- Ms. Law resigned as an executive Director and the chief executive officer of the Company with effect from 31 March 2016. After the resignation of Ms. Law, she has remained as an employee of the Company. For the purpose of this report, the total number of share options in respect of employees of the Group excludes 11,116,038 share options held by Ms. Law.
- As at 30 June 2016, the number of issued shares of the Company was 2,471,162,504.
- The closing price of the Company's shares immediately before 5 November 2013, the date of grant of the options was HK\$0.94.
- The total number of the Company's shares available for issue under the Scheme was 33,348,115 shares which represented approximately 1.35% of the issued share capital of the Company as at the date of this report.

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

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

As at 30 June 2016, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following persons had interests in 5% or more of the nominal value of the issued shares of the Company that carry a right to vote in all circumstances at the general meetings of the Company:

#### Long Positions/Short Positions

*Ordinary shares of HK\$0.01 each of the Company*

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company
Cheng Ngok Fai <i>(Note 1)</i>	Interest of controlled corporation	664,050,000 (L)	26.87% (L)
Connected-World Group Limited <i>(Notes 1&amp;3)</i>	Interest of controlled corporation	238,875,000 (L)	9.67% (L)
Li Ruiguang <i>(Note 2)</i>	Beneficial owner	425,175,000 (L)	17.20% (L)
	Interest of controlled corporation	371,093,000 (L)	15.02% (L)
Eternal Galaxy Group Limited <i>(Notes 2&amp;3)</i>	Beneficial owner	94,122,000 (L)	3.81% (L)
	Interest of controlled corporation	238,875,000 (L)	9.67% (L)
Sky-Linked International Limited <i>(Note 3)</i>	Beneficial owner	132,218,000 (L)	5.35% (L)
Central Huijin Investment Limited <i>(Note 4)</i>	Beneficial owner	238,875,000(L)	9.67% (L)
China Construction Bank Corporation <i>(Note 4)</i>	Interest of controlled corporation	1,024,579,003(L)	41.46%(L)
Cheng Keung Fai <i>(Notes 5&amp;6)</i>	Interest of controlled corporation	1,024,579,003(L)	41.46%(L)
Full Dragon Group Limited <i>(Notes 5&amp;6)</i>	Interest of controlled corporation	1,177,184,250 (L)	47.64% (L)
	Beneficial owner	149,809,676 (S)	6.06% (S)
Vast Build Limited <i>(Note 6)</i>	Interest of controlled corporation	238,875,000 (L)	9.67%(L)
	Beneficial owner	938,309,250 (L)	37.97%(L)
	Beneficial owner	149,809,676 (S)	6.06%(S)
	Security interest in share	238,875,000 (L)	9.67%(L)

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

### *Notes:*

1. The entire issued share capital of Connected-World Group Limited is owned by Mr. Cheng Ngok Fai.
2. The entire issued share capital of Eternal Galaxy Group Limited is owned by Mr. Li Ruiguang.
3. The entire issued share capital of Sky-Linked International Limited is owned as to 60% by Connected-World Group Limited and as to 40% by Eternal Galaxy Group Limited. Sky-Linked International Limited owned the convertible notes amounting to a principal amount of HK\$191,100,000 issued by the Company on 30 March 2016 (the “Sky-Linked Convertible Notes”), upon the exercise of the conversion rights attached thereto, 238,875,000 shares will be allotted and issued by the Company. Therefore, each of Sky-Linked International Limited, Connected-World Group Limited and Eternal Galaxy Group Limited was deemed to be interested in 238,875,000 shares of the Company.
4. Approximately 57.31% of the entire issued share capital of China Construction Bank Corporation is owned by Central Huijin Investment Limited. The interests in such shares are held by Sea Venture Investments Limited which is an indirect wholly-owned subsidiary of China Construction Bank Corporation.
5. The entire issued share capital of Full Dragon Group Limited is owned by Mr. Cheng Keung Fai. Full Dragon Group Limited has granted (i) a security interest over 58.39% of the total issued share capital of the Company as at the date of the grant; and (ii) a call option to acquire 149,809,676 shares of the total issued share capital of the Company, to a subsidiary of Central Huijin Investment Limited, details of which were disclosed in the announcement of the Company dated 4 May 2015.
6. A charge has been created over the Sky-Linked Convertible Notes by Sky-Linked International Limited in favour of Vast Build Limited, a wholly-owned subsidiary of the Company. Approximately 37.97% of the entire issued share capital of the Company was owned by Full Dragon Group Limited. Therefore, each of Vast Build Limited, the Company and Full Dragon Group Limited was deemed to be interested in 238,875,000 shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Sky-Linked Convertible Notes.
7. The letter “L” denotes the person’s long position in such shares and the underlying shares of the Company.
8. The letter “S” denotes the person’s short position in such shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 June 2016.

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

### **Continuing obligation under Chapter 13 of the Listing Rules**

In accordance with the continuing disclosure requirement under Rule 13.21 of the Listing Rules, the Directors reported below details of the 2015 Notes with covenant which required specific performance obligations of the controlling shareholder of the Company. Terms used herein have the same meaning as those defined in the announcement made by the Company on 10 December 2014.

On 27 January 2015, the Company completed the issue of the 2015 Notes with a principal amount of USD20,000,000 (equivalent to approximately HK\$155,182,000), which will mature on 27 January 2018. The 2015 Notes bear interest from and including 27 January 2015 at a rate of 20% per annum, payable semi-annually in cash. Pursuant to the conditions of the 2015 Notes, Mr. Cheng, being the substantial shareholder of the Company and the guarantor to the 2015 Notes, is required to maintain a specified minimum shareholding in the Company. The Company will, at the option of any noteholder(s) redeem such 2015 Notes at the Early Redemption Amount (as defined in the 2015 Notes) if the percentage of shareholding in the Company held by Mr. Cheng falls below the specified minimum shareholding requirement as set out in the 2015 Notes (upon a change of control as set out in the announcement of the Company dated 10 December 2014), and such covenant triggers the disclosure obligations of the Company under Rules 13.18 of the Listing Rules.

Other than disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

### **Corporate governance**

The Company has complied throughout the period under review with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules other than those in respect of the company secretary.

Under the Code Provision F.1.1 of the CG Code, the Company engages Mr. Chan Chun Fat as its company secretary. Mr. Chan is a practising solicitor and in performing his duties as the company secretary of the Company, he reports to the Board and maintains contacts with the chief executive officer of the Company.

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

### **Changes in Directors' information**

In accordance with Rule 13.51B of the Listing Rules, changes of the information of Directors required to be disclosed are set out below:

The monthly remuneration of Ms. Law Kee, Alice, a former executive Director and the former chief executive officer of the Company, has been adjusted to HK\$102,850 with effect from 1 January 2016. Ms. Law resigned as executive Director and chief executive officer with effect from 31 March 2016.

The monthly remuneration of Mr. Zhong Yingchang, an executive Director of the Company, has been adjusted to HK\$83,400 and provision of place of residence with rental value of HK\$20,000 per month with effect from 1 January 2016.

### **Sufficiency of public float**

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

### **Audit Committee**

The Audit Committee, comprising four independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

### **List of Directors**

As at the date of this report, the Board comprises ten Directors. The executive Directors are Mr. Wan Peizhong (Chairman), Mr. Xiang Junjie (Chief Executive Officer), Mr. Tai Yat Chung, Mr. Li Wenjun, Mr. Zhong Yingchang, and Mr. Ji Jianguo; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum, Mr. Chiu Sin Nang, Kenny, and Mr. Gao Hong.

### **Acknowledgement**

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

By Order of the Board  
**Nine Express Limited**  
**Wan Peizhong**  
*Chairman*

Hong Kong, 25 August 2016