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SINO HAIJING HOLDINGS LIMITED

中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01106)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- Revenue for the six months ended 30 June 2016 (the “Period”) was approximately HK\$265.84 million, representing an increase of approximately 3.31% as compared to approximately HK\$257.33 million for the corresponding period in last year.
- Gross profit for the Period was approximately HK\$62.53 million, representing an increase of approximately 38.75% as compared to approximately HK\$45.07 million for the corresponding period in last year. The overall profit margin for the Period increased from 17.51% to 23.52%.
- Loss attributable to equity holders of the Company for the Period was approximately HK\$4.52 million, representing a decrease of approximately 67.59% as compared to approximately HK\$13.94 million for the corresponding period in last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

INTERIM RESULTS

The board of Directors (the “Board”) of Sino Haijing Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016, together with unaudited comparative figures for the corresponding period in 2015 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	2	265,842	257,328
Cost of sales		(203,312)	(212,260)
Gross profit		62,530	45,068
Other revenue and other income	4	1,866	2,404
Gain on bargain purchase on acquisition of subsidiaries	16	19,655	–
Administrative and other operating expenses		(48,841)	(39,247)
Realised and unrealised loss on financial assets at fair value through profit or loss		(21,874)	(10,852)
Profit (Loss) from operations		13,336	(2,627)
Finance costs		(14,097)	(8,693)
Loss before tax	5	(761)	(11,320)
Income tax expense	6	(3,180)	(2,622)
Loss for the period		(3,941)	(13,942)
Other comprehensive loss <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(3,715)	(113)
Total comprehensive loss for the period		(7,656)	(14,055)
Loss attributable to:			
Equity holders of the Company		(4,519)	(13,942)
Non-controlling interests		578	–
		(3,941)	(13,942)
Total comprehensive loss attributable to:			
Equity holders of the Company		(8,224)	(14,055)
Non-controlling interests		568	–
		(7,656)	(14,055)
Loss per share	8		(Adjusted)
– Basic		(HK0.13 cents)	(HK0.54 cents)
– Diluted		(HK0.13 cents)	(HK0.54 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Investment properties		8,352	8,776
Property, plant and equipment	9	171,349	165,137
Lease premium for land		27,691	28,541
Deposits for potential acquisition of subsidiaries		128,962	50,000
Deposits for acquisition of land and property, plant and equipment		3,171	4,176
Intangible asset	10	182,000	–
		521,525	256,630
CURRENT ASSETS			
Financial assets at fair value through profit or loss	11	24,295	162,615
Inventories		24,409	23,381
Lease premium for land		678	687
Trade and other receivables	12	268,648	329,970
Pledged bank deposits		4,857	2,658
Cash and cash equivalents		29,037	90,143
		351,924	609,454
CURRENT LIABILITIES			
Trade and other payables	13	124,809	99,985
Bank and other borrowings		97,172	134,395
Notes payables	14	280,000	–
Current tax payable		1,779	1,659
		503,760	236,039
NET CURRENT (LIABILITIES) ASSETS		(151,836)	373,415
TOTAL ASSETS LESS CURRENT LIABILITIES		369,689	630,045
NON-CURRENT LIABILITIES			
Notes payable	14	–	280,000
Deferred tax liabilities		2,396	2,396
		2,396	282,396
NET ASSETS		367,293	347,649
CAPITAL AND RESERVES			
Share capital	15	44,874	44,874
Reserves		294,551	302,775
Total equity attributable to equity shareholders of the Company		339,425	347,649
Non-controlling interests		27,868	–
TOTAL EQUITY		367,293	347,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to equity holders of the Company						Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2015	31,163	235,950	117	22,231	40,135	(46,830)	282,766	-	282,766
Loss for the period	-	-	-	-	-	(13,942)	(13,942)	-	(13,942)
Other comprehensive loss for the period									
Exchange differences arising from translation of foreign operations	-	-	-	-	(113)	-	(113)	-	(113)
Total comprehensive loss for the period	-	-	-	-	(113)	(13,942)	(14,055)	-	(14,055)
Issue of shares by placement	6,232	55,089	-	-	-	-	61,321	-	61,321
At 30 June 2015 (Unaudited)	<u>37,395</u>	<u>291,039</u>	<u>117</u>	<u>22,231</u>	<u>40,022</u>	<u>(60,772)</u>	<u>330,032</u>	<u>-</u>	<u>330,032</u>
At 1 January 2016	44,874	370,907	117	26,356	24,331	(118,936)	347,649	-	347,649
Loss for the period	-	-	-	-	-	(4,519)	(4,519)	578	(3,941)
Other comprehensive loss for the period									
Exchange differences arising from translation of foreign operations	-	-	-	-	(3,705)	-	(3,705)	(10)	(3,715)
Total comprehensive loss for the period	-	-	-	-	(3,705)	(4,519)	(8,224)	568	(7,656)
<i>Changes in ownership interests</i>									
Non-controlling interests arising from business combination (note 16)	-	-	-	-	-	-	-	27,300	27,300
At 30 June 2016 (Unaudited)	<u>44,874</u>	<u>370,907</u>	<u>117</u>	<u>26,356</u>	<u>20,626</u>	<u>(123,455)</u>	<u>339,425</u>	<u>27,868</u>	<u>367,293</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash generated from operating activities	222,747	6,576
Net cash (used in)/generated from investing activities	(232,657)	76,119
Net cash (used in)/generated from financing activities	<u>(51,320)</u>	<u>204,931</u>
Net (decrease)/increase in cash and cash equivalents	(61,230)	287,626
Cash and cash equivalents at the beginning of the reporting period	90,143	9,149
Effect of foreign exchange rate changes	<u>124</u>	<u>12</u>
Cash and cash equivalents at the end of the reporting period	<u>29,037</u>	<u>296,787</u>
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	29,022	55,542
Deposit with a financial institution with original maturity within three months	<u>15</u>	<u>241,245</u>
	<u>29,037</u>	<u>296,787</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements under Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements are consistent with those applied for the financial statements of the Group for the year ended 31 December 2015, except for the adoption of the accounting policy for intangible asset as detailed in note 10 to the condensed consolidated interim financial statements.

In preparing the unaudited condensed consolidated interim financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of HK\$151,836,000 as at 30 June 2016. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations. The Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations that are first effective or available for early adoption for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in these financial statements for the periods presented as a result of these developments.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgments in the process of applying the Group's accounting policies.

The condensed consolidated interim financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's Audit Committee.

2. REVENUE

Revenue represents (i) the sale of packaging products, which is net of value-added tax and other sales taxes, and is stated after deduction of all goods returns and trade discounts, (ii) net proceeds from ticket sales and (iii) loan interest income from money lending business.

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Sale of packing products	259,734	257,328
Net proceeds from ticket sales	5,259	–
Loan interest income	849	–
	<hr/>	<hr/>
	265,842	257,328

3. SEGMENT REPORTING

Segment Information

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

- (a) Manufacturing and sale of packaging products (“Packaging Business”);
- (b) Securities trading and other investing activities (“Securities Investments”);
- (c) Ticketing agency business (“Ticketing Agency”); and
- (d) Money lending business (“Money Lending”).

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

3. SEGMENT REPORTING (Continued)

By Business Segments

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

	Packaging Business		Securities Investments		Ticketing Agency		Money Lending		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended										
30 June (Unaudited)										
Reportable segment revenue										
Revenue from external customers	<u>259,734</u>	<u>257,328</u>	<u>-</u>	<u>-</u>	<u>5,259</u>	<u>-</u>	<u>849</u>	<u>-</u>	<u>265,842</u>	<u>257,328</u>
Reportable segment										
profit (loss)	<u>15,269</u>	<u>11,023</u>	<u>(22,374)</u>	<u>(10,852)</u>	<u>5,203</u>	<u>-</u>	<u>338</u>	<u>-</u>	<u>(1,564)</u>	<u>171</u>

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total (loss) profit of reportable segments	(1,564)	171
Other income	881	722
Gain on bargain purchase on acquisition of subsidiaries	19,655	-
Unallocated amounts		
– Unallocated finance costs	(11,200)	(4,826)
– Corporate expenses	(8,533)	(7,387)
Consolidated loss before tax for the period	<u>(761)</u>	<u>(11,320)</u>

3. SEGMENT REPORTING (Continued)

An analysis of the Group's assets and liabilities by reportable segment is set out below:

	Packaging Business		Securities Investments		Ticketing Agency		Money Lending		Total	
	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
Reportable segment assets	<u>473,969</u>	<u>496,166</u>	<u>24,311</u>	<u>205,016</u>	<u>187,406</u>	<u>-</u>	<u>37,349</u>	<u>-</u>	<u>723,035</u>	<u>701,182</u>
Reportable segment liabilities	<u>188,693</u>	<u>220,650</u>	<u>-</u>	<u>-</u>	<u>1,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,306</u>	<u>220,650</u>
							30 June 2016 <i>HK\$'000</i> (Unaudited)		31 December 2015 <i>HK\$'000</i> (Audited)	
Total assets of reportable segments							723,035		701,182	
Unallocated headquarter amounts							150,414		164,902	
							873,449		866,084	
							30 June 2016 <i>HK\$'000</i> (Unaudited)		31 December 2015 <i>HK\$'000</i> (Audited)	
Total liabilities of reportable segments							190,306		220,650	
Unallocated headquarter amounts							315,850		297,785	
							506,156		518,435	

4. OTHER REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other revenue		
Bank interest income	42	862
Rental income	297	283
	<u>339</u>	<u>1,145</u>
Other income		
Sale of raw materials and scrap products	372	373
Sale of steam	792	846
Sundry income	219	40
Exchange gain	144	–
	<u>1,527</u>	<u>1,259</u>
	<u>1,866</u>	<u>2,404</u>

5. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging (crediting) the following:–

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
a) Finance costs:		
Interest expenses on bank and other borrowings	2,897	4,335
Interest expenses on notes payable	11,200	4,358
	<u>14,097</u>	<u>8,693</u>
b) Other items:		
Amortisation of lease premium for land	507	372
Cost of inventories recognised as expense	203,312	212,260
Depreciation of property, plant and equipment	11,289	10,473
Depreciation of investment properties	330	265
Net exchange (gain) loss	(144)	28
Staff costs	36,462	33,671
	<u>36,462</u>	<u>33,671</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits arising from Hong Kong for both current and prior periods. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates of 25% on the estimated assessable profits for the six months ended 30 June 2016 and 2015 based on existing legislation, interpretations and practices in respect thereof.

7. INTERIM DIVIDEND

For the six months ended 30 June 2016, the Board does not recommend the payment of any interim dividend (six months ended 30 June 2015: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss attributable to equity holders of the Company	<u>(4,519)</u>	<u>(13,942)</u>

	Six months ended 30 June	
	2016 '000 (Unaudited)	2015 '000 (Unaudited) (Adjusted)
Number of shares:		
Issued ordinary shares at 1 January	3,589,901	249,300
Effect of issue of shares by placement	–	11,294
Effect of shares sub-division	<u>–</u>	<u>2,345,346</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>3,589,901</u>	<u>2,605,940</u>

The number of shares adopted in the calculation of the basic and diluted loss per share for the six months ended 30 June 2015 has been adjusted to reflect the impact of the share subdivision effected during the year ended 31 December 2015.

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding for the periods ended 30 June 2016 and 2015.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, additions to property, plant and equipment amounted to HK\$43,470,000 (six months ended 30 June 2015: HK\$19,926,000) and disposals amounted to HK\$25,969,000 (six months ended 30 June 2015: HK\$2,492,000).

10. INTANGIBLE ASSET

	Ticketing agency right HK\$'000
Reconciliation of carrying amount– year ended 30 June 2016	
At 1 January 2016	–
Additions – acquisition of subsidiaries (<i>note 16</i>)	182,000
	<hr/>
At 30 June 2016 (Unaudited)	182,000
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At 30 June 2016 (Unaudited)	
Cost	182,000
Accumulated amortisation	–
	<hr/>
	182,000
	<hr/>

The exclusive ticketing agency right was acquired as a result of an acquisition of subsidiaries as detailed in note 16 to the Interim Financial Information. The exclusive ticketing agency right for the cultural show namely, Impression – Liu Sanjie, acquired has been granted for a period of 20 years.

The exclusive ticketing agency right acquired has been granted for period of 20 years with priority renewal rights at the expiry date. Coupled with the fact that the cultural show, Impression – Liu Sanjie, has been operated since 2004 and there are over 500 shows every year, the Group has determined that this asset has an indefinite useful life. The exclusive ticketing agency right is therefore measured at cost less accumulated impairment losses.

The Group has appointed an independent professional valuer, Witz International Consultants Group Limited, to perform an appraisal of the value of the exclusive ticketing agency business as at 24 March 2016. The recoverable amount of intangible asset has been determined on the basis of a value in use calculations. Its recoverable amount is based on certain key assumptions. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 20-year period by applying growth rate of average income per ticket at 15% in 2017, 5% from 2018 to 2021 and 3% after 2021, growth rate of show attendees at 1.2% from 2017 to 2020 and remain unchanged after 2020, and a discount rate of 20%. Cash flow projections during the budget period are also based on the expected sales during the budget period. Expected cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Equity securities, held for trading:		
Listed in Hong Kong	–	128,563
Listed outside Hong Kong	376	381
Non-listed investment funds, held for trading	<u>23,919</u>	<u>33,671</u>
	<u>24,295</u>	<u>162,615</u>

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Trade receivables	171,865	144,747
Less: Allowance for trade receivables	<u>(476)</u>	<u>(482)</u>
	171,389	144,265
Notes receivable	52,702	102,988
Loan receivables (<i>Note (a)</i>)	37,000	–
Other receivables	1,911	72,222
Prepayments and deposits	<u>5,646</u>	<u>10,495</u>
	<u>268,648</u>	<u>329,970</u>

12. TRADE AND OTHER RECEIVABLES (Continued)

Note:

- (a) The loan receivables carry at fixed interest rate of 12% per annum and repayable within one year. The Directors assessed the collectability of loan receivables at the end of the reporting period individually with reference to borrowers' current creditworthiness. Based on the assessment, there is no indication of deterioration in the collectability of the loan amounts and thus no allowance was considered necessary. The borrowers are third parties independent of the Group.

The loan receivables are denominated in HK\$.

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

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Within 3 months	162,681	137,717
Over 3 months but within 6 months	7,610	5,011
Over 6 months but within 1 year	226	15
Over 1 year	<u>1,348</u>	<u>2,004</u>
	171,865	144,747
Less: Allowance for trade receivables	<u>(476)</u>	<u>(482)</u>
	<u>171,389</u>	<u>144,265</u>

The normal credit period granted to the customers of the Group is 90 to 120 days (2015: 90 to 120 days). Allowance for trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Trade payables	74,778	59,996
Bills payables	9,566	4,839
Other payables	13,616	19,501
Accrued interest on 8% notes payable	26,849	15,649
	<u>124,809</u>	<u>99,985</u>

The ageing analysis of the trade payables by invoice date at the end of the reporting period is as follows:–

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Within 3 months	60,327	47,991
Over 3 months but within 6 months	9,603	7,560
Over 6 months but within 1 year	3,067	2,611
Over 1 year	1,781	1,834
	<u>74,778</u>	<u>59,996</u>

14. NOTES PAYABLE

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
8% 2-year notes	<u>280,000</u>	<u>280,000</u>

The notes are interest-bearing at 8% per annum, maturing on 21 April 2017 and secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company which was incorporated under the laws of the British Virgin Islands. The notes holder is a third party independent of the Group.

15. SHARE CAPITAL

	As at 30 June 2016		As at 31 December 2015	
	<i>No. of shares</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>No. of shares</i> (Audited)	<i>HK\$'000</i> (Audited)
Authorised:				
– Ordinary shares of HK\$0.0125 each (as at 31 December 2015: HK\$0.0125 each)	30,000,000,000	375,000	8,000,000,000	100,000
Issued and fully paid:				
At the beginning of the reporting period	3,589,901,240	44,874	249,300,124	31,163
Issue of shares by placement	–	–	109,690,000	13,711
Shares subdivision (<i>Note</i>)	–	–	3,230,911,116	–
At the end of the reporting period	3,589,901,240	44,874	3,589,901,240	44,874

Note: Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 26 October 2015, every one issued and unissued ordinary share of HK\$0.125 each in the share capital of the Company was subdivided into ten subdivided share of HK\$0.0125 each (the “Subdivided Shares”). The Subdivided Shares rank *pari passu* in all respects with each other and have the rights and privileges contained in the Articles of Association of the Company.

16. ACQUISITION OF SUBSIDIARIES

On 24 March 2016, the Group acquired 85% shareholding in Master Race Limited and its subsidiaries (“Master Race Group”) at a consideration of HK\$135,000,000. Master Race Group is a limited liability company incorporated in British Virgin Islands and is principally engaged in ticketing agency business, corporate image advisory and cultural and marketing activities planning business. Master Race Group entered into an exclusive ticketing agency agreement with 桂林廣維文華旅遊文化產業有限公司 (“Guangwei Wenhua”) pursuant to which Master Race Group is granted an exclusive ticketing agency right for the cultural show namely Impression Liu Sanjie* (印象劉三姐) by Guangwei Wenhua for a term of 20 years.

The acquisition is to better manage the business risk, to diversify the business of the Group and to explore for appropriate opportunities for different investment projects. Considering the prosperity of the tourism industry in Guangxi and the track record of the cultural show Impression Liu Sanjie* (印象劉三姐), the Group is optimistic about the acquisition and is of the view the acquisition is an attractive opportunity for the Group to enhance its business portfolio in the tourism industry.

16. ACQUISITION OF SUBSIDIARIES (Continued)

The fair value of the identifiable assets and liabilities of Master Race Group at the date of acquisition is as follows:

	<i>HK\$'000</i>
Consideration satisfied by:	
Cash paid	<u>135,000</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	<i>HK\$'000</i>
Intangible assets (<i>note 10</i>)	182,000
Other payable	<u>(45)</u>
Total identifiable net assets	181,955
Non-controlling interests	(27,300)
Gain on bargain purchase	<u>(19,655)</u>
	<u>135,000</u>

Gain on bargain purchase of HK\$19.66 million, which was measured by the excess of the Group's share of the net identifiable assets of Master Race Group as at the acquisition date over the cost of investment, has been recognised in the Condensed Consolidated Statement of Comprehensive Income.

Master Race Group contributed revenue of HK\$5.26 million and profit of HK\$5.20 million in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2016, total Group revenue for the period would have been HK\$5.26 million, and profit for the period would have been HK\$5.20 million.

17. RELATED PARTY TRANSACTION

In addition to the transactions/information disclosed elsewhere in these condensed consolidated financial statements, during the reporting period, the Group had the following transaction with related party:

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Sale of goods	—	833

The related party is wholly-owned by the former director, Mr. Chao Pang Fei, of the Company.

18. CAPITAL COMMITMENTS

The Group's authorised capital commitments outstanding at the end of the reporting period and not provided for in the condensed consolidated financial statements are as follows:

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
	Contracted but not provided for	
Construction of production facilities	—	4,844
Purchase of property, plant and equipment	1,224	463
Potential acquisition of subsidiaries	17,200	—
	<u>18,424</u>	<u>5,307</u>

19. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis at 30 June 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	As at 30 June 2016 (Unaudited)				As at 31 December 2015 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss								
Equity securities, listed in Hong Kong	-	-	-	-	128,563	-	-	128,563
Equity securities, listed outside Hong Kong	376	-	-	376	381	-	-	381
Non-listed investment funds	-	23,919	-	23,919	-	33,671	-	33,671
	<u>376</u>	<u>23,919</u>	<u>-</u>	<u>24,295</u>	<u>128,944</u>	<u>33,671</u>	<u>-</u>	<u>162,615</u>

Description of valuation techniques and inputs used in Level 2 fair value measurement

The Non-Listed investment funds are valued based on quoted market price from dealers. If unavailable, fair value is determined by reference to quoted market price for similar instruments.

During the period ended 30 June 2016 and year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue for the Period was approximately HK\$265.84 million, representing an increase of approximately 3.31% as compared to approximately HK\$257.33 million for the corresponding period in last year.

Gross profit

Gross profit for the Period was approximately HK\$62.53 million, representing an increase of approximately 38.75% as compared to approximately HK\$45.07 million for the corresponding period in last year. The overall profit margin for the period increased from 17.51% to 23.52%. The increase in profit margin is mainly due to the decrease in material cost during the Period.

Other Revenue And Other Income

Other operating income was approximately HK\$1.87 million for the Period, representing a decrease of approximately 22.38% as compared to approximately HK\$2.40 million for the corresponding period in last year.

Finance Costs

Finance costs for the Period were approximately HK\$14.10 million, representing an increase of approximately 62.16% as compared to approximately HK\$8.69 million for the corresponding period in last year. The increase is mainly due to the six months interest expenses of 8% notes payable was recognised as compared to two months interest expenses for the corresponding period in last year.

Loss For The Period

Loss attributable to equity holders of the Company for the Period was approximately HK\$4.52 million, representing a decrease of approximately 67.59% as compared to approximately HK\$13.94 million for the corresponding period last year. The decrease in loss for the period was mainly due to the net effect of the gain on bargain purchase approximately HK\$19.66 million on acquisition of subsidiaries and increase in realised and unrealised loss on financial assets at fair value through profit or loss of approximately HK\$11.02 million.

Business Review And Outlook

During the first half of 2016, notwithstanding the slowdown in economic growth in the People's Republic of China (the "PRC"), the Group's packaging business, representing production and sale of expanded polystyrene packaging products for household electrical appliances in the PRC, continued to provide steady revenue and cash flow to the Group and still recorded slight increase in revenue of 0.9% and improvement in profit margin from 17.5% to 21.6% through various measures taken by the Group especially strengthening cost control leading to decrease in material cost. However, the Group recorded an increase in loss in securities investment business and loss on disposal of listed securities in Hong Kong of approximately HK\$21.87 million during the Period. In view of the volatile stock market in recent year, the Group will closely monitor the performance of investment portfolio and adopt relatively conservative investment strategy to minimise the risk exposure and uncertainty of returns from securities investment.

While maintaining the packaging business and downsizing the securities business, the Group has also been exploring other business opportunities to diversify businesses of the Group and enhance the value of shareholders of the Company. In this connection, the Group has commenced the money lending business with the money lender licence in Hong Kong under the Money Lenders Ordinance since this year. Interest income of approximately HK\$0.85 million from loan receivable was recognised in the income statement during the Period. The average interest rate charged during the Period was 12% per annum. It is expected that such business will contribute steady returns to the Group.

To capture the market potential of tourism, entertainment and cultural industries, the Group is engaged in a series of respective projects. Following completion of acquisition of Master Race Group in March 2016, the Group is granted an exclusive ticketing agency right for a popular cultural show namely Impression Liu Sanjie (印象劉三姐) in Guangxi Province, the PRC, for a term of 20 years. Impression Liu Sanjie is an outdoor night show beside the Li River in Yangshuo, the Guangxi Province. Different from other shows in an enclosed space, the show Impression Liu Sanjie stages in the actual Li River. The mist, moonlight, together with peaks and their inverted reflections in the river all creates a spectacular natural backdrop. The large-scaled lights system, special smoke-effect system and the overwhelming sound system in harmony with the natural landscape presents a visual feast to audiences. The show lasts approximately 70 minutes and consists of 7 episodes. Each episode displays different images and sceneries with the ever-changing natural background and lighting. There are 600 actors and actresses involved and most of them are local people from the villages along the river. Zhang Yimou, the chief director of the performance, creatively combines the classical Liu Sanjie's folk songs and ethnic group culture together and presents a large-scale realistic performance in harmony with landscape. During the Period, 113 shows were performed and approximately 257,600 tickets were sold which contributed revenue of approximately HK\$5.3 million to the Group.

Besides acquisition of cultural and tourism business in the PRC, the Company is also seeking for overseas opportunities in Southeast Asia. As announced by the Company in February 2016, the Group plans to acquire Yong Tai Berhad (“Yong Tai”), a company listed on the Main Market of Bursa Malaysia Securities Berhad. The three current property projects in developing owned by Yong Tai, namely “The Apple & Courtyard By Marriott”, “Impression Melaka” and “Impression City, Melaka”, are strategically located within the heritage city centre of Melaka, one of the fastest growing states in Malaysia, and easily accessible as they are located on prime locations with close proximity to commercial centres, banks, hotels, amenities and just 1.5 kilometres away from the historical and cultural heritage UNESCO World Heritage site of Melaka. Furthermore, regarding the post-development, the existing projects are expected to contribute recurring income to the Yong Tai group with revenue from the hotel operations, driven by the vibrant tourism activities in Melaka. Yong Tai has also four potential property development projects carrying a combined gross development value of approximately RM7 billion over the next 8 years in Melaka, Klang Valley and Johor. The acquisition is expected to complete by the third quarter this year.

Facing the fierce competition of the EPS packaging industry in the PRC, the Group continues to take effort to maintain its competitiveness of packaging business including enhancing production technology and cost control, and on the other hand, explore other business opportunities with greater market potential in the PRC and Southeast Asia. As such, the Group has stepped into tourism, entertainment and cultural industries, which are considered as booming industries in recent years and are not significantly affected by economic cycle, through a series of acquisitions this year. To finance the aforesaid acquisitions, the Company strategically increased the authorised share capital of the Company to HK\$375,000,000 divided into 30,000,000,000 shares of the Company which was effective from 3 June 2016 and proposed two fund raising exercises in May 2016 and August 2016 which not only provide sufficient funding to the projects but also broaden shareholders base of the Company. The financial position of the Group will also be strengthened upon completion of fund raising exercises.

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

Events After the Reporting Period

Subsequent to the period end, on 12 July 2016, the Group completed the acquisition of 80% of the issued share capital of Golden Truth Enterprises Limited at consideration of HK\$138,000,000, which indirectly owns Dongxing Pingfeng Rainforest Scenic Spot (東興屏峰雨林景區) located at Dongxin County in the southern part of Guangxi Province neighboring Vietnam in the west. Dongxin County covers an area of about 590 sq km and has a total population of about 300,000, renowned for its natural landscape and scenic beauty, and most important of all, longevity of local inhabitants, the National Tourism Scenic Spot Quality Grading Assessment Committee has granted the aforesaid scenic spot the status of “4A-Category” scenic spot. The scope of business includes scenic spots investment, outdoor activities organisation, production and launch of advertisement, plantation of potato, oil seeds, beans and forestation. The Group is formulating business plan to develop the site including construction of hot spring villas to attract more visitors.

On 5 August 2016, the Group also entered into the sale and purchase agreement with Majestic Wealth International Limited, which is an independent third party and principally engaged in provision of management services on the operation of physical therapy and healthcare massage shops in the PRC, for acquisition of the entire issued share capital of Xian Tai International Limited (“Xian Tai”) at the consideration of HK\$83,640,000 which shall be satisfied by allotment and issue of 697,000,000 new shares of the Company at the issue price of HK\$0.12 per share under general mandate. Currently, Xian Tai indirectly owns eight shops for providing traditional leisure and healthcare massages in the PRC and is aiming to upgrade to a professional healthcare management institution, traditional Chinese services including healthcare and massage, professional physical therapy, traditional Chinese mud therapy and featured far infrared ray energy therapy, as well as specializing in providing operation and management entrustment services for various kinds of healthcare clubs which are in operations or planning to operate. The acquisition is expected to complete by the third quarter this year.

Significant Investments, Material Acquisitions And Disposal

On 15 January 2016, the Company and an independent third party entered into a letter of intent (the “Letter of Intent”) in relation to proposed acquisition of 95% issued share capital of Incola Travel Limited, which is principally engaged in the business of travel agency, at a consideration of not exceed HK\$5.7 million. No formal agreement was made and the Letter of Intent has lapsed on 24 February 2016. Details of the proposed acquisition were set out in the announcements of the Company dated 15 January 2016 and 24 February 2016.

On 23 January 2016, the Group entered in a formal agreement with Cherry Square Limited to acquire 85% equity interest in Master Race Group, which is principally engaged in ticketing agency business, corporate image advisory and cultural and marketing activities planning business, at cash consideration of HK\$135 million. The acquisition was completed on 24 March 2016 and a gain on bargain purchase of HK\$19.7 million was recognised in income statement during the Period. Details of the transaction were set out in the announcements of the Company dated 23 January 2016 and 24 March 2016.

On 4 February 2016, the Group entered into the subscription agreement with Yong Tai for subscription of 150,000,000 new ordinary shares of Yong Tai and 200,000,000 irredeemable preference shares in Yong Tai (“ICPS”) at the issue price of RM0.80 (equivalent to approximately HK\$1.48) per subscription share and ICPS respectively. The principal activities of the subsidiaries of Yong Tai are manufacturing and dyeing of all types of fabric and property development. The aggregate consideration for the subscription shares and the ICPS are RM280 million (equivalent to approximately HK\$518 million) which will be paid by cash from (i) the Group’s internal financial resources; and (ii) the Company’s proposed fund raising exercise of subscription of 6,000,000,000 new shares of the Company at the placing price of HK\$0.10 per placing share through certain placing agents on a best effort to not less than six places raising a maximum of net proceeds of HK\$580 million pursuant to the placing agreement entered on 19 May 2016. Upon completion of acquisition, Yong Tai will become an associate of the Company. On 20 July 2016, the Group and Yong Tai entered into an addendum agreeing to extend the date for fulfillment of the conditions precedent set out in the subscription agreement from 3 August 2016 to 3 October 2016. Both transactions, details of which were set out in the announcements of the Company dated 5 February 2016 and 20 July 2016 and circular of the Company dated 26 July 2016, were approved by shareholders of the Company on 12 August 2016. Both transactions were not completed as at date of this interim report.

On 8 April 2016, the Group entered into the sale and purchase agreement with Jumbo Venus Limited, an independent third party, for acquisition of 80% of the issued share capital of Golden Truth Enterprises Limited (“Golden Truth”) at consideration of HK\$138,000,000. Golden Truth and its subsidiaries are principally engaged in tourism development, scenic spot investment and management business, it owns Dongxing Pingfeng Rainforest Scenic Spot located at Dongxin County. The consideration was settled by cash and the acquisition was completed on 12 July 2016. Details of the transaction were set out in the announcements of the Company dated 8 April 2016 and 12 July 2016.

Save as disclosed above, there were no other significant investments, material acquisitions and disposals during the Period.

OTHER INFORMATION

Liquidity and Financial Resources

As at 30 June 2016, the Group’s current assets amount to approximately HK\$351.92 million, including trade and other receivables of approximately HK\$268.65 million and bank and cash of approximately HK\$29.04 million and the Group’s current liabilities amounted to approximately HK\$503.76 million which mainly comprised of notes payables of approximately HK\$280 million, trade and other payables of approximately HK\$124.81 million and bank and other borrowings of approximately HK\$97.17 million.

As at 30 June 2016, the Group had notes with principal of HK\$280 million payable which were interest-bearing at 8% per annum, maturing on 21 April 2017. The notes were secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company.

Debt and Gearing

As at 30 June 2016, the total debts of the Company decreased by approximately HK\$37.22 million as compared with 31 December 2015 which is mainly due to the repayment of bank and other borrowings. The total debts included bank and other borrowings and notes payable.

The gearing ratio (total liabilities to total assets) is 57.95% (at 31 December 2015: 59.9%).

Pledge of Assets

In addition to the information disclosed elsewhere in the notes to the condensed consolidated interim financial information, as at 30 June 2016, the Group pledged assets with aggregate carrying value of HK\$68.9 million (as at 31 December 2015: HK\$87.50 million) to secure banking facilities.

Capital Commitment

As at 30 June 2016, the Group's capital commitment contracted but not provided for in the financial statements is HK\$18.4 million (as at 31 December 2015: HK\$5.31 million).

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities.

Hedging

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

Employees

As at 30 June 2016, the Group employed a total of 355 (as at 31 December 2015: 340) employees based in the PRC and Hong Kong. Employees were remunerated based on their performance, experience and industry practices.

Interests of Directors and Chief Executive

As at 30 June 2016, none of the Directors or the Chief Executive of the Company nor their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at 30 June 2016, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

Long Positions in the Shares and Underlying Shares of the Company

Name	Nature of interests	Number of shares	Approximate % of issued share capital
Dragon Ocean Development Limited	Beneficial owner	830,792,040	23.14
Mr. Wu Qiaofeng	Interest in controlled corporation	830,792,040 (Note)	23.14
Quantum China Assets Management Ltd.	Beneficial owner	198,000,000	5.52

Note:

Mr. Wu Qiaofeng held 100% of the issued share capital of Dragon Ocean Development Limited. Mr. Wu Qiaofeng is therefore deemed under the SFO to be interested in 830,792,040 shares.

Save as disclosed above, as at 30 June 2016, the Directors of the Company were not aware of any persons who has an interest or short position in the Shares, or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as the code for Directors' securities transactions ("the Model Code"). Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

Purchase, Disposal Or Redemption Of Securities

During the six months ended 30 June 2016, neither the Company, nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities.

Corporate Governance

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Corporate Governance Code (the "Code"), set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with applicable code provisions of Code for the six months ended 30 June 2016, except for certain deviations which are summarized below:

Code Provision A.6.7

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

For the annual general meeting and extraordinary general meeting held on 30 May 2016 and 3 June 2016 respectively, all independent non-executive directors could not attend the meeting due to their busy business schedules or other engagements.

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

Non-Compliance With Listing Rule 3.10A

The number of independent non-executive directors of the Company falls below the minimum number required under Rule 3.10A of the Listing Rules upon the appointment of Mr. Wang Xin and Mr. Wei Liyi as Directors and resignation of Mr. Fung Wah Bong as the Director with effect from 4 April 2016. Following the resignation of Ms. Szeto Wai Ling Virginia as the Director on 4 July 2016, the Company has complied with Rule 3.10A of the Listing Rules.

Board Composition

The Board currently comprises 10 directors, of which 3 are independent non-executive Directors. As a result, the number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules. The Board will search for and appoint appropriate person(s) to fill the vacancies as soon as possible pursuant to the Rule 3.11 of the Listing Rules.

During the six months ended 30 June 2016 and up to date of this report, changes of Board members are as follows:

On 5 April 2016, Mr. Fung Wah Bong Peter has resigned as executive Director, Mr. Wang Xin and Mr. Wei Liyi have been appointed as an executive Director and non-executive Director respectively.

On 4 July 2016, Ms. Szeto Wai Ling Virginia has resigned as executive Director.

On 13 July 2016, Mr. Lee Tao Wai and Mr. Lam Hoi Lun have been appointed as independent non-executive Directors.

On 19 July 2016, Mr. Foo Tin Chung Victor and Mr. Lee Siu Woo have resigned as independent non-executive Directors.

On 4 August 2016, Mr. Li Fengrui has been appointed as executive Director and Mr. Wei Liyi has been re-designated from non-executive Director to executive Director.

Audit Committee

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

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

The Group's unaudited condensed consolidated interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises Ms. Li Zhenzhen (Chairman and executive Director), Mr. Lam Wai Hung (executive Director), Mr. Lam Chi Keung (executive Director), Ms. Hu Jianping (executive Director), Mr. Wang Xin (executive Director), Mr. Wei Liyi (executive Director), Mr. Li Fengrui (executive Director), Mr. Pang Hong (independent non-executive Director), Mr. Lee Tao Wai (independent non-executive Director) and Mr. Lam Hoi Lun (independent non-executive Director).

This announcement is published on the HKExnews website at <http://www.hkexnews.hk> and on the website of the Company at <http://www.sinohaijing.com>.