德泰新能源集團有限公司
DeTai New Energy Group Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 559)

2017/2018 INTERIM RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of DeTai New Energy Group Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	Notes	**For the six months ended 31 December 2017 HK$'000 (Unaudited)**	For the six months ended 31 December 2016 *HK$'000* (Unaudited)
Turnover	*3*	**26,827**	12,988
Cost of sales		**(16,088)**	(5,280)
Gross profit		**10,739**	7,708
Interest income	*4*	**5**	12,148
Other income		**224**	970
Gain on the disposal of subsidiaries	*5*	**43,858**	–
General and administrative expenses		**(83,288)**	(53,241)
Selling and distribution expenses		**(2,715)**	(836)
Finance costs	*6*	**(5,094)**	(7,839)
Impairment loss on loan receivable		**(2,441)**	–
Impairment loss on intangible assets	*12*	**(124,820)**	–
Impairment loss on goodwill	*14*	**(60,345)**	–
Gain on derecognition of available-for-sale investments		**–**	42,504
Change in fair value of financial liabilities at fair value through profit or loss	*21*	**131,221**	–
Change in fair value of derivative financial instrument		**–**	(10,315)
Change in fair value of financial assets at fair value through profit or loss	*18*	**–**	(900)
Loss before taxation	*7*	**(92,656)**	(9,801)
Taxation	*8*	**27,605**	18
Loss for the period		**(65,051)**	(9,783)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)
For the six months ended 31 December 2017

	Notes	For the six months ended 31 December 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of financial statements of foreign operations		**1,057**	(36,045)
Change in fair value of available-for-sale investments		**4,127**	10,542
Release of exchange reserve to profit or loss upon disposal of subsidiaries		**2,504**	–
Release of available-for-sale investments upon derecognition of the convertible bonds		**–**	(42,504)
Other comprehensive income for the period		**7,688**	(68,007)
Total comprehensive income for the period		**(57,363)**	(77,790)
Loss for the period attributable to:			
Owners of the Company		**(65,516)**	(8,197)
Non-controlling interests		**465**	(1,586)
		(65,051)	(9,783)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(57,889)**	(74,767)
Non-controlling interests		**526**	(3,023)
		(57,363)	(77,790)
Loss per share:	*10*		
— Basic		**(1.25) HK cents**	(0.18) HK cent
— Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**486,890**	489,426
Investment in an associate		**5**	–
Intangible assets	*12*	**62,496**	192,164
Prepaid lease payments for land	*13*	**10,175**	9,890
Goodwill	*14*	**54,773**	113,462
Available-for-sale investments	*15*	**107,855**	103,728
Total non-current assets		**722,194**	908,670
Current assets			
Inventories		**71,539**	79,766
Trade receivables, other receivables, deposits and prepayments	*16*	**64,945**	32,930
Prepaid lease payments for land	*13*	**268**	257
Loans receivable	*17*	**104,384**	107,323
Financial assets at fair value through profit or loss	*18*	**30,000**	80,000
Pledged bank balances	*23*	**3,817**	3,003
Bank balances and cash		**14,494**	92,919
Total current assets		**289,447**	396,198

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
As at 31 December 2017

	Notes	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
Current liabilities			
Trade payables, other advances and accruals	*19*	**22,526**	35,114
Borrowings	*20*	**22,928**	9,140
Corporate bonds		**35,000**	112,749
Financial liabilities at fair value through profit or loss	*21*	**–**	127,431
Tax payable		**2,417**	9,572
Total current liabilities		**82,871**	294,006
Net current assets		**206,576**	102,192
Total assets less current liabilities		**928,770**	1,010,862
Non-current liabilities			
Borrowings	*20*	**136,847**	141,729
Deferred tax liabilities		**88,279**	114,909
Total non-current liabilities		**225,126**	256,638
Net assets		**703,644**	754,224
EQUITY			
Share capital	*22*	**261,592**	261,592
Reserves		**440,199**	494,039
Equity attributable to owners of the Company		**701,791**	755,631
Non-controlling interests		**1,853**	(1,407)
Total equity		**703,644**	754,224

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 30 June 2017. The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2017.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The adoption of the amendments has no material impact on the Group's financial statements.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2014–2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]

1 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2 Effective for annual periods beginning on or after 1 January, 2018

3 Effective for annual periods beginning on or after 1 January, 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 9 — Financial Instruments

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") and those to be measured subsequently at fair value through profit or loss ("FVTPL"). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVTOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Only embedded derivatives in host contracts that are financial assets are no longer separated from the financial assets. The accounting for embedded derivatives in non-financial host contracts remains unchanged from HKAS 39.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in HKAS 39 for classification and measurement of financial liabilities were carried forward unchanged to HKFRS 9 (2014). The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

HKFRS 9 (2014) introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements will be amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of HKFRS 9 (2014) or continuing to apply HKAS 39 to all hedges, because the standard currently does not address accounting for macro hedging.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements upon application.

3. TURNOVER AND SEGMENT INFORMATION

Turnover, which is also revenue, represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and sales related taxes, income from hotel operations, interest income from loans receivable and dividend income on listed securities and funds during the period.

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

The Group currently has six reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

(i) new energy business;

(ii) hotel hospitality business;

(iii) provision of money lending services;

(iv) manufacturing and trading of electric cycles;

(v) trading and distribution of liquor and wine; and

(vi) investments in listed securities and funds.

There were no inter-segment transactions between different operating segments for the period. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that are used by the chief operating decision-makers for assessment of segment performance.

For the six months ended 31 December 2017

	New energy business HK$'000 (Unaudited)	Hotel hospitality business HK$'000 (Unaudited)	Money lending services HK$'000 (Unaudited)	Electric cycles HK$'000 (Unaudited)	Liquor and wine HK$'000 (Unaudited)	Investments in listed securities and funds HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue	**4,210**	**16,180**	**5,212**	**26**	**1,199**	**–**	**26,827**
Segment (loss)/profit *(note)*	**(91,562)**	**(3,635)**	**1,172**	**(1,583)**	**(7,356)**	**(2,225)**	**(105,189)**
Unallocated corporate income and expenses, net							**(22,182)**
Finance costs							**(5,094)**
Gain on the disposal of subsidiaries							**43,858**
Share-based payment expenses							**(4,049)**
Loss before taxation							**(92,656)**

For the six months ended 31 December 2016

	New energy business *HK$'000* (Unaudited)	Hotel hospitality business *HK$'000* (Unaudited)	Money lending services *HK$'000* (Unaudited)	Electric cycles *HK$'000* (Unaudited)	Liquor and wine *HK$'000* (Unaudited)	Investments in listed securities and funds *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue	–	7,145	5,250	306	287	–	12,988
Segment (loss)/profit	(2,763)	(17,438)	4,600	(2,123)	(3,989)	(5,596)	(27,309)
Unallocated corporate income and expenses, net							(18,948)
Finance costs							(7,839)
Gain on derecognition of available-for-sale investments							42,504
Change in fair value of derivative financial instrument							(10,315)
Convertible bonds interest income							12,106
Loss before taxation							(9,801)

Note: Segment loss of new energy business mainly comprised of the impairment loss on intangible assets, impairment loss on goodwill and change in fair value of financial liabilities at fair value through profit or loss for the six months ended 31 December 2017.

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

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
New energy business	**85,227**	296,378
Hotel hospitality business	**538,564**	539,544
Money lending services	**125,459**	110,684
Electric cycles	**32,110**	82,521
Liquor and wine	**89,833**	80,713
Investments in listed securities and funds	**109,685**	158,908
Total segment assets	**980,878**	1,268,748
Investment in an associate	**5**	–
Unallocated bank balances and cash	**519**	882
Unallocated corporate assets *(note)*	**30,239**	35,238
Consolidated total assets	**1,011,641**	1,304,868
Segment liabilities		
New energy business	**8,321**	5,783
Hotel hospitality business	**153,997**	153,379
Money lending services	**14,131**	250
Electric cycles	**97**	7,550
Liquor and wine	**2,416**	15,990
Investments in listed securities and funds	**481**	200
Total segment liabilities	**179,443**	183,152
Tax payable	**2,417**	9,572
Deferred tax liabilities	**88,279**	114,909
Corporate bonds	**35,000**	112,749
Financial liabilities at fair value through profit and loss	**–**	127,431
Unallocated corporate liabilities *(note)*	**2,858**	2,831
Consolidated total liabilities	**307,997**	550,644

Note: Unallocated corporate assets mainly comprised of prepaid lease payments for land.

Unallocated corporate liabilities mainly comprised of bonds interest payable and accrued headquarter expenses.

(b) Geographical segments

The Group's operations are located in Hong Kong (place of domicile), the People's Republic of China (the "PRC"), Japan and Sweden. The Group's revenue from external customers and information about its non-current assets (other than financial instruments) by geographical markets are detailed as below:

	Revenue from external customers For the six months ended 31 December		Non-current assets	
	2017	2016	**31 December 2017**	30 June 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**5,212**	5,250	**11,292**	10,436
PRC	**1,225**	593	**10,460**	12,018
Japan	**16,180**	7,145	**526,310**	531,450
Sweden	**4,210**	–	**66,277**	251,038
	26,827	12,988	**614,339**	804,942

4. INTEREST INCOME

	For the six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**5**	42
Convertible bonds interest income	**–**	12,106
	5	12,148

5. GAIN ON THE DISPOSAL OF SUBSIDIARIES

On 27 September 2017, a subsidiary of the Group as vendor entered into a share transfer agreement (the "Share Transfer Agreement") with two independent third parties as purchasers. Pursuant to the Share Transfer Agreement, the vendor agreed to sell and the purchasers agreed to acquire the entire equity interest of 國藏酒莊有限公司 (Guocang Liquor & Wine Merchant Limited) ("Guocang") at a consideration of RMB100. The gain on disposal amounted to HK$36,177,000 has been recognised.

On 18 December 2017, a subsidiary of the Group as vendor entered into a share transfer agreement (the "Jiangsu Youli Share Transfer Agreement") with two independent third parties as purchasers. Pursuant to the Jiangsu Youli Share Transfer Agreement, the vendor agreed to sell and the purchasers agreed to acquire the entire equity interest of 江蘇友立電動車有限公司 (Jiangsu Youli Electric Vehicle Co., Ltd.) ("Jiangsu Youli") at a consideration of RMB100. The gain on disposal amounted to HK$7,681,000 has been recognised.

6. FINANCE COSTS

	For the six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on corporate bonds	**3,335**	7,557
Interest on bank loans	**861**	10
Other interest	**898**	272
	5,094	7,839

7. LOSS BEFORE TAXATION

	For the six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before taxation is arrived at after charging:		
Amortisation of intangible assets	**10,555**	80
Amortisation of prepaid lease payments for land	**132**	26
Depreciation of property, plant and equipment	**7,047**	2,749
Share-based payments expenses	**4,049**	–

8. TAXATION

	For the six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current tax for the year		
Japan	**10**	–
Deferred tax	**(27,615)**	(18)
Total income tax (credit)/expense	**(27,605)**	(18)

Hong Kong profit tax was provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong for both the six months ended 31 December 2017 and 2016. No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong.

The subsidiaries established in the PRC are subject to enterprise income tax ("EIT") at tax rates of 25% for both the six months ended 31 December 2017 and 2016. No provision for PRC EIT has been made for the current and prior periods as the Group has no assessable profits arising in the PRC.

Under the relevant Japan tax regulations, the profits of the business under tokumei kumiai arrangement which is distributed to a tokumei kumiai investor after deducting any accumulated losses in prior years is only subject to 20.42% withholding income tax in Japan. The withholding tax is final Japanese tax on such distributed tokumei kumiai profits and such profits are not subject to any other Japanese taxes. There is no withholding tax paid or payable for the six months ended 31 December 2017 and 2016 as there is no profit distribution.

The subsidiary established in Japan is subject to prefectural and municipal inhabitant taxes on a per capita basis in accordance with the relevant Japan tax regulations for the six months ended 31 December 2017 and 2016.

The subsidiary established in Sweden is subject to corporate income tax at tax rate of 22% for the six months ended 31 December 2017 and 2016. No provision for Sweden corporate income tax has been made for the current period as the Group has no assessable profits arising in Sweden.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share amount is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted loss per share amount is based on the loss for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted loss per share is based on the following data:

	For the six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(65,516)**	(8,197)

	Number of shares For the six months ended 31 December	
	2017	2016
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,231,844**	4,491,965

Diluted loss per share amount for the six months ended 31 December 2017 and 2016 was not presented because the impact of the exercise of the share options and convertible preference shares was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group acquired items of property, plant and equipment with a cost of approximately HK$5,139,000 (six months ended 31 December 2016: HK$512,554,000). Items of property, plant and equipment with carrying amount of approximately HK$321,000 were disposed during the six months ended 31 December 2017 (six months ended 31 December 2016: HK$2,756,000), resulting in a net loss on disposal of property, plant and equipment of approximately HK$258,000 (six months ended 31 December 2016: net gain on disposal of property, plant and equipment of approximately HK$63,000).

As at 31 December 2017, the Group pledged hotel land and building in Japan with an aggregated carrying value of HK$471,537,000 to secure banking facilities of the Group (30 June 2017: HK$474,963,000) (note 23).

12. INTANGIBLE ASSETS

For the six months ended 31 December 2017, the intangible assets consisting production formula, non-competition agreement and sales backlog agreements which acquired through the acquisition of Emission Particle Solution Sweden AB ("EPS"). There is no addition of intangible assets for the six months ended 31 December 2017.

For the impairment testing, the intangible assets are allocated to cash generating unit ("CGU") of new energy business ("New Energy Business CGU") and its recoverable amount is based on its value in use and determined with the assistance of Royson Valuation Advisory Limited, an independent professional qualified valuer, who has among its staff members of Hong Kong Institute of Surveyor. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 33.9% (30 June 2017: 32.9%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 3% (30 June 2017: 3%). Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the New Energy Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the New Energy Business CGU.

As the recoverable amount of the New Energy Business CGU amounted to HK$66,277,000 is lower than its carrying amount, the Directors of the Company are in opinion that an impairment loss of HK$124,820,000 has been recognised for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

13. PREPAID LEASE PAYMENTS FOR LAND

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net carrying amount:		
At beginning of the period/year	**10,147**	–
Acquisition during the period/year	**–**	10,073
Amortisation for the period/year	**(132)**	(148)
Exchange realignment	**428**	222
At end of the period/year	**10,443**	10,147

The Group's net carrying amount of the prepaid lease payments for land is analysed as follows:

	31 December 2017 *HK$'000* **(Unaudited)**	30 June 2017 *HK$'000* (Audited)
Leasehold land under medium-term leases in the PRC	**10,443**	10,147
Analysed for reporting purposes as:		
Non-current	**10,175**	9,890
Current	**268**	257
	10,443	10,147

As at 31 December 2017, the Group did not pledge any prepaid lease payments for land to secure banking facilities of the Group (30 June 2017: Nil).

In September 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest of Miracle True Investment Limited ("Miracle True"), a wholly-owned subsidiary of the Company, at a cash consideration of HK$11,000,000. In February 2018, the Group entered the supplemental agreement with the independent third party to extend the long stop date to 31 January 2019. Miracle True solely held the above leasehold land for the six months ended 31 December 2017.

14. GOODWILL

	HK$'000
COST:	
At 1 July 2016 (Audited)	760,508
Acquired through business combination	111,864
Exchange realignment	(9,222)
At 30 June 2017 and 1 July 2017 (Audited)	863,150
Exchange realignment	33,317
At 31 December 2017 (Unaudited)	**896,467**
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 July 2016 (Audited)	760,508
Exchange realignment	(10,820)
At 30 June 2017 and 1 July 2017 (Audited)	749,688
Impairment loss for the period	60,345
Exchange realignment	31,661
At 31 December 2017 (Unaudited)	**841,694**
NET CARRYING AMOUNT:	
At 31 December 2017 (Unaudited)	**54,773**
At 30 June 2017 (Audited)	113,462

As at 30 June 2017, goodwill with the net carrying amount of HK$60,345,000 is attributable to the New Energy Business CGU. As the recoverable amount of the New Energy Business CGU is lower than its carrying amount, an impairment loss of HK$60,345,000 has been recognised for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

15. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Available-for-sale investments		
— Unlisted private funds *(note)*	**107,855**	103,728

Note:

The fair value gain of unlisted private funds during the period was HK$4,127,000 (six months ended 31 December 2016: HK$1,854,000), which has been dealt with in other comprehensive income and available-for-sale investments revaluation reserve for the six months ended 31 December 2017.

16. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's trade receivables, other receivables, deposits and prepayments were trade receivables of HK$7,754,000 (30 June 2017: HK$2,370,000). The Group allows an average credit period of 0 to 90 days to its trade receivables.

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**8,762**	85,123
Less: Provision for impairment loss	**(1,008)**	(82,753)
Trade receivables, net	**7,754**	2,370

The aging analysis of trade receivables, net of allowance for doubtful debts, based on invoice date, is as follows:

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**5,825**	1,286
31–60 days	**844**	696
61–90 days	**295**	–
Over 90 days	**790**	388
	7,754	2,370

17. LOANS RECEIVABLE

	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
Gross loans and interest receivables	**106,825**	112,522
Less: provision for impairment loss	**(2,441)**	(5,199)
	104,384	107,323

As at 31 December 2017, loans receivable with gross principal amount of HK$103,933,000 (30 June 2017: HK$106,096,000) in aggregate and related gross interest receivables of HK$2,892,000 (30 June 2017: HK$6,426,000) due from eight (30 June 2017: ten) independent third parties. These loans are interest-bearing at rates ranging from 7% to 20% (30 June 2017: 7% to 20%) per annum. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 31 December 2017 and 30 June 2017. Impairment loss of HK$2,441,000 (six months ended 31 December 2016: Nil) has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2017.

The aging analysis loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
Neither past due nor impaired	**72,755**	60,178
1 to 3 months past due	**20,664**	18,694
Over 3 months past due	**10,965**	28,451
	104,384	107,323

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
Compensation from profit guarantee *(note)*	**30,000**	80,000

Note:

COMPENSATION FROM PROFIT GUARANTEE

On 29 May 2015, the Company issued 700,000,000 consideration shares as the consideration for the acquisition of 85% issued share capital of Delta Prestige Holdings Limited and its subsidiaries (the "Delta Prestige Group").

Pursuant to the acquisition agreement, the vendor has irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of the Delta Prestige Group in accordance with Hong Kong generally accepted accounting principles for the year ending 30 June 2016 shall not be less than HK$100,000,000 (the "Profit Target"). In case the Delta Prestige Group cannot achieve the Profit Target, the vendor will compensate to the Company in cash. The compensation is calculated in accordance with the following formula:

The compensation = Profit Target – Audited net profit

If the Delta Prestige Group records an audited net loss for the year ending 30 June 2016, the audited net profit will be deemed as zero for the purpose of calculation of the compensation.

With reference to the operating result of the Electric Cycle CGU for the year ended 30 June 2016, the electric cycles business is not likely to meet the Profit Target. The fair value of compensation from profit guarantee is determined by Directors with reference to the actual financial result of the Delta Prestige Group for the year ended 30 June 2016.

There is no fair value change on the compensation from profit guarantee for the six months ended 31 December 2017 and 2016. On 26 September 2016, the vendor and the Company entered into a settlement deed regarding the settlement of the compensation from profit guarantee of HK$100,000,000 and the additional amount of compensation of HK$850,000, in which HK$20,000,000 has been settled by the vendor on 27 September 2016. On 21 September 2017, the Group further received HK$50,700,000 settlement from the vendor. The remaining HK$30,150,000 would be settled in March 2018.

19. TRADE PAYABLES, OTHER ADVANCES AND ACCRUALS

Included in the Group's trade payables, other advances and accruals were trade payables of HK$3,820,000 (30 June 2017: HK$3,323,000).

The aging analysis of these trade payables, based on invoice date, is as follows:

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**3,294**	1,248
31–60 days	**493**	176
61–90 days	**25**	6
Over 90 days	**8**	1,893
	3,820	3,323

20. BORROWINGS

	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
Bank loan, secured *(note 1)*	**145,775**	150,869
Other borrowings *(note 2)*	**14,000**	–
Carrying amount as at the end of period/year	**159,775**	150,869
Less: Current portion	**(22,928)**	(9,140)
Non-current portion	**136,847**	141,729

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause, borrowings are repayable as follows:

	31 December 2017 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Audited)
Within one year	**22,928**	9,140
More than one year, but not exceeding two years	**9,225**	9,140
More than two years, but not more than five years	**127,622**	132,589
	159,775	150,869

Note 1: Bank loans were secured by (i) corporate guarantees provided by subsidiaries within the Group as at 31 December 2017 and 30 June 2017; (ii) the pledge of Group's assets as set out in note 23 to the condensed consolidated financial statements; and (iii) the entire equity interest of Cambridge Venture Partners Kabushiki Kaisha ("CVP KK").

The abovementioned bank loans are charged at floating rates ranging from 0.75% to 5.14% per annum (30 June 2017: 0.75% to 5.14% per annum).

Note 2: Other borrowing represents a 6-month unsecured borrowing, the interest rate is charged at 14% and has been subsequently repaid on 6 February 2018.

21. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 22 December 2016, Perfect Essential Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, acquired the entire issued share capital of EPS at a cash consideration of SEK239,000,000 (equivalent to approximately HK$202,186,000), in which (i) SEK101,200,000 (equivalent to approximately HK$85,612,000) was settled on 22 December 2016, and (ii) remaining maximum balance of SEK137,800,000 (equivalent to approximately HK$116,574,000) is subject to post completion adjustment mechanism.

Pursuant to the supplemental agreement dated 22 December 2016, the remaining balance of SEK137,800,000 shall be adjusted according to the net profit after tax of EPS forecasted for the period from 1 January 2017 to 31 December 2017 ("NPAT"). The adjusted balance is calculated in accordance with the following formula:

The adjusted balance = SEK137,800,000 x
NPAT/SEK30,000,000

If EPS records a net loss after tax in aggregate in its financial statements for the period from 1 January 2017 to 31 December 2017, the adjusted balance shall be deemed as zero. In the event that the value of the adjusted balance exceeds the value of the remaining balance of SEK137,800,000, the Group shall only be obligated to pay the maximum of SEK137,800,000.

Based on the signed agreements and/or orders determined by the Purchaser, EPS would record a net loss after tax for the year ended 31 December 2017. Pursuant to the terms of the sale and purchase agreement (as amended and supplemented by the supplemental agreement), neither the Purchaser nor the Company shall be obligated to pay the balance or the adjusted balance or any part thereof. The Directors of the Company are in opinion that gain on change in fair value of financial liabilities at fair value through profit or loss of HK$131,221,000 has been recognised for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

22. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.05 each at 30 June 2017 and 31 December 2017		
Authorised:		
As at 30 June 2017 and 31 December 2017	30,000,000	1,500,000
Issued and fully paid:		
As at 30 June 2017 and 31 December 2017	5,231,844	261,592

23. PLEDGE OF ASSETS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group also had pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

	31 December 2017 ***HK$'000*** **(Unaudited)**	30 June 2017 *HK$'000* (Audited)
Property, plant and equipment	**471,537**	474,963
Bank balances	**3,817**	3,003
	475,354	477,966

24. LEASE COMMITMENTS

The Group as lessee

As at the end of reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating lease in respect of office premises which fall due as follows:

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**7,115**	8,088
In the second to fifth years inclusive	**2,671**	4,250
Over five years	**–**	161
	9,786	12,499

Lease was negotiated for a term of two to five years and three months and rentals are fixed for such period. None of the leases include contingent rentals.

25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the following transaction was carried out with a related party in normal course of the Group's business:

	For the six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Financial advisory fee	**482**	880
Corporate service fee	**79**	330
	561	1,210

Corporate service fee and financial advisory fee were paid to related companies which is controlled by a Director.

Compensation of key management

The key management of the Group comprises all Directors. The short-term benefits including the share-based payments were HK$1,691,000 for the six months ended 31 December 2017 (six months ended 31 December 2016: HK$1,560,000).

26. EVENTS AFTER REPORTING PERIOD

Proposed rights issue on the basis of two (2) rights shares for every one (1) existing share held on the record date

The Group proposes to raise not less than approximately HK$544.1 million and not more than approximately HK$697.7 million, before expenses, by way of the rights issue of not less than 10,463,687,800 rights shares and not more than 13,417,938,276 rights shares to the qualifying shareholders at a subscription price of HK$0.052 per rights share on the basis of two (2) rights shares for every one (1) existing share held on the record date.

The net proceeds from the rights issue (after deducting the estimated expenses) are estimated to be not less than approximately HK$524.9 million and not more than approximately HK$678.5 million. The estimated net subscription price per rights share after deducting the related expenses of the rights issue is expected to be approximately HK$0.050. The Group intends to apply net proceeds of approximately HK$524.9 million from the rights issue as to (i) approximately HK$196.0 million for the contribution to the facility to be made available to a joint venture company formed with Zhongke International Capital Limited (the "JV Company"); (ii) approximately HK$183.6 million for repayment of the outstanding corporate bonds and borrowings; (iii) approximately HK$100.0 million for expansion of the Group's money lending business; and (iv) the remaining balance for general working capital of the Group.

Details of the proposed rights issue are set out in the Company's announcements dated 3 January 2018, 24 January 2018, 5 February 2018 and 15 February 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The Group is currently engaged in six business segments, (i) new energy business; (ii) hotel hospitality business; (iii) provision of money lending services; (iv) manufacturing and trading of electric cycles; (v) trading and distribution of liquor and wine; and (vi) investments in listed securities and funds. For the six months ended 31 December 2017, the Group recorded a turnover of approximately HK$26.8 million (six months ended 31 December 2016: approximately HK$13.0 million). Loss for the period attributable to owners of the Company was approximately HK$65.5 million (six months ended 31 December 2016: approximately HK$8.2 million). Basic loss per share was approximately 1.25 HK cents (six months ended 31 December 2016: approximately 0.18 HK cents). The substantial increase in the net loss was mainly attributable to (i) the impairment loss on goodwill and intangible asset of the new energy business; (ii) the increase in general and administrative expenses for the newly acquired business; and (iii) the absence of gain on derecognition of available-for-sale investments for the six months ended 31 December 2017 as compared to that for the corresponding period of 2016.

New energy business

The turnover for the six months ended 31 December 2017 of the new energy business was approximately HK$4.2 million (six months ended 31 December 2016: nil) and a segment loss of approximately HK$91.6 million was recorded for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK$2.8 million). The loss was mainly attributed to the impairment loss of the goodwill and intangible assets which partly offset by an other income of change in fair value of financial liabilities at fair value through profit or loss, which represents the contingent consideration payable for the acquisition in December 2016.

During the period, the Group has concentrated its effort in brand building and has executed a series of market entry exercises for expansion of distribution network of EuroAd in different regions namely the Middle East, North and South America and parts of Africa.

To increase recognition of EuroAd, EPS team has strengthened its sales force in roll out of targeted marketing campaigns with local agents in such countries. However, the sales relationships building process is still in its infancy, where product testing is still underway in respective countries.

Our management and staff have spent many resources in the initial phase of product testing which is a stringent prerequisite for EPS to satisfy on order to enter the energy markets in these countries. The time taken to hurdle the product testing phase was much longer than the management of new energy business expected. The prolonged product testing phase resulted in delays in placing of sales orders from these groups of targeted potential customers.

In order to refocus on renewing EuroAd global marketing strategy, resources were spent to educate new potential customers on the multi usage and industrial applications of EuroAd. Besides its application in fuel, we aimed to advertise to new and potential customers on EuroAd's multilevel of applications and explore further market segments such as shipping and pulp and paper.

Pursuant to the terms of the sale and purchase agreement dated 29 July 2016 (as amended by supplemental agreement dated 22 December 2016) entered into between the Purchaser and the eight vendors, the maximum consideration for the acquisition is SEK239 million, in which SEK101.2 million was paid on the completion date i.e. 22 December 2016 and the remaining maximum balance of SEK137.8 million will be subject to post completion adjustment mechanism. The remaining balance will be adjusted in accordance with the ratio of the net profit after tax of EPS forecasted for the period from 1 January 2017 to 31 December 2017 by way of agreements and/or orders as determined by the Purchaser to the guaranteed profit of SEK30.0 million.

Based on the signed agreements and/or orders determined by the Purchaser, EPS would record a net loss after tax for the year ended 31 December 2017. Pursuant to the terms of the sale and purchase agreement (as amended and supplemented by the supplemental agreement), neither the Purchaser nor the Company shall be obligated to pay the balance or the adjusted balance or any part thereof.

Hotel hospitality business

The turnover for the six months ended 31 December 2017 of the hotel hospitality business was approximately HK$16.2 million (six months ended 31 December 2016: approximately HK$7.1 million) and a segment loss of approximately HK$3.6 million was recorded for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK$17.4 million).

The Directors are of the opinion the loss was due to seasonal effect. Niseko is traditionally well known for its deep snow and snowy scenery during the skiing season attracting large crowds of visitors in the winter period, whereas in the summer and autumn period, hotel charges were adjusted to accommodate for the relatively slow visitor flow in the region.

The Group is optimistic about the prospects and the potential momentum of the hotel and resort industry in Japan as 2020 Tokyo Olympics is approaching.

Electric cycles business

The turnover for the six months ended 31 December 2017 of the electric cycles business was approximately HK$26,000 (six months ended 31 December 2016: approximately HK$0.3 million) and a segment loss of approximately HK$1.6 million was recorded for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK$2.1 million). The loss was mainly attributed to the drop of turnover. Fierce competition in pricing and fast changing of electric cycles model were experienced in the China market. The Group has reorganized its product strategy to tailor for the market trend promptly. However, the result fell short of expectation.

Pursuant to the terms of the settlement deed dated 26 September 2016 entered into between the Company and the then vendor that the then vendor shall compensate to the Company in an amount of HK$100.85 million due to the profit shortfall. The compensation amount shall be paid by the then vendor in 4 installments: (i) as of HK$20.0 million shall be paid to the Company on or before 30 September 2016; (ii) as of HK$20.4 million shall be paid to the Company on or before 31 March 2017; (iii) as of HK$30.3 million shall be paid to the Company on or before 30 September 2017; and (iv) as of HK$30.15 million shall be paid to the Company on or before 31 March 2018. The first three installments of HK$70.7 million in aggregate was received by the Company on 27 September 2016 and 21 September 2017.

Liquor and wine business

The turnover for the six months ended 31 December 2017 of the liquor and wine business was approximately HK$1.2 million (six months ended 31 December 2016: approximately HK$0.3 million) and a segment loss of approximately HK$7.4 million was recorded for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK$4.0 million). The sale of the liquor and wine still fell short of expectation. The Group will continuously explore sales opportunities to diversify sales channels aiming to improve the revenue stream of the liquor and wine business.

Listed securities investments

As at 31 December 2017 and 30 June 2017, the Group did not have any portfolio of listed securities investment. Details of the significant gains/(losses) for the period ended 31 December 2016 are as below:

Significant gains/(losses) for the period ended 31 December 2016

		For the six months ended 31 December 2016		
Name of listed securities	**Stock code**	**Realised gains/(losses)**	**Unrealised gains/(losses)**	**Dividend received**
		HK$'000	*HK$'000*	*HK$'000*
China New Economy Fund Limited	80	(133)	(553)	–
Huarong International Financial Holdings Limited	993	(12,240)	12,436	–
Zhong An Real Estate Limited	672	–	(410)	–

In view of the fluctuations in the global and local financial markets, the Board is cautious of the prospects of the trading performance of the Group's portfolio of listed securities. The Group disposed all the listed securities during the year ended 30 June 2017. The Group reallocated financial resources to other business segments.

Money lending services

As at 31 December 2017, the Group had loans receivable with gross principal amount of approximately HK$103.9 million (30 June 2017: approximately HK$106.1 million). The Group recorded interest income from loans receivable of approximately HK$5.2 million for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK$5.3 million).

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2017, the Group recorded cash and bank balances amounting to approximately HK$18.3 million (30 June 2017: approximately HK$95.9 million) and the net current assets value was approximately HK$206.6 million (30 June 2017: approximately HK$102.2 million).

The Group's gearing ratio as at 31 December 2017 was approximately 0.28 (30 June 2017: approximately 0.35), being a ratio of total debts, including corporate bonds and borrowings of approximately HK$194.8 million (30 June 2017: approximately HK$263.6 million) to the total equity of approximately HK$703.7 million (30 June 2017: approximately HK$754.2 million).

As at 31 December 2017, the Group had 3-year 8% coupon unlisted corporate bonds with the aggregate principal amount of approximately HK$35 million (30 June 2017: 8% and 10% coupon unlisted corporate bonds of approximately HK$86.5 million and HK$27.0 million respectively). The bonds are guaranteed by the Company.

PLEDGE OF ASSETS

As at 31 December 2017, the Group pledged hotel land and building in Japan with an aggregated carrying value of approximately HK$471.5 million, bank deposit of approximately HK$3.8 million and the entire equity interest of CVP KK, a wholly owned subsidiary of the Company, to secure banking facilities of the Group (30 June 2017: an aggregated carrying value of approximately HK$475.0 million, bank deposit of approximately HK$3.0 million and the entire equity interest of CVP KK).

CAPITAL STRUCTURE

The Company had no changes in capital structure during the six months ended 31 December 2017.

INVESTMENT POSITION AND PLANNING

Available-for-sale investments

As at 31 December 2017, the Group had invested in three (30 June 2017: three) unlisted private funds with aggregated carrying amount of approximately HK$107.9 million (30 June 2017: approximately HK$103.7 million). The purpose of the fund portfolio is to carry on the business of investing, holding, monitoring and realizing (i) the private debt investments, including but not limited to bonds, notes and debentures; (ii) the equity investments and/or debt instruments from the financial services, natural resources and/or property investment sectors; and (iii) the investment in securities and instruments issued in, or related to the markets in China, Hong Kong, Taiwan, South Korea and ASEAN member countries respectively. The value of fund portfolio was based on fair value. An increase in fair value of the fund portfolio of approximately HK$4.1 million was recorded for the six months ended 31 December 2017 (six months ended 31 December 2016: approximately HK$1.9 million).

Transaction in relation to disposal of Guocang

On 27 September 2017, a subsidiary of the Group as vendor entered into the Share Transfer Agreement with two independent third parties as purchasers. Pursuant to the Share Transfer Agreement, the vendor agreed to sell and the purchasers agreed to acquire the entire equity interest of Guocang, which was a dormant company, at a consideration of RMB100. The disposal was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Transaction in relation to disposal of Jiangsu Youli

On 18 December 2017, a subsidiary of the Group as vendor entered into the Jiangsu Youli Share Transfer Agreement with two independent third parties as purchasers. Pursuant to the Jiangsu Youli Share Transfer Agreement, the vendor agreed to sell and the purchasers agreed to acquire the entire equity interest of Jiangsu Youli at a consideration of RMB100. The disposal was classified as a non disclosable transaction under Chapter 14 of the Listing Rules.

Settlement deed in relation to the profit guarantee compensation

With reference to the Company's announcements dated 26 April 2015 and 29 May 2015 in relation to the acquisition of the electric cycles business, Mr. Lee Man Bun ("Mr. Lee") as the vendor irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of the electric cycles business for the year ended 30 June 2016 shall not be less than HK$100,000,000 (the "Guaranteed Net Profit").

In the event that the electric cycles business cannot achieve the Guaranteed Net Profit, Mr. Lee has irrevocably undertaken to the Company to pay to the Company in cash within 10 business days from the date of receipt of the certificate from the auditors of the Company an amount equal to the shortfall (the "Profit Guarantee Compensation").

In view of the loss recorded for the year ended 30 June 2016 of the electric cycles business, Mr. Lee had been requested to settle the Profit Guarantee Compensation of HK$100,000,000. After arm's length negotiations, on 26 September 2016, Mr. Lee and the Company entered into a settlement deed regarding the settlement of the Profit Guarantee Compensation of HK$100,000,000 and the additional amount of compensation of HK$850,000, in which HK$20,000,000 was settled by Mr. Lee on 27 September 2016. On 21 September 2017, the Group further received HK$50,700,000 settlement from the vendor. The remaining HK$30,150,000 would be settled in March 2018.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (30 June 2017: Nil).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no significant capital commitments (30 June 2017: Nil).

FOREIGN EXCHANGE EXPOSURE

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

EVENTS AFTER REPORTING PERIOD

Proposed rights issue on the basis of two (2) rights shares for every one (1) existing share held on the record date

The Group proposes to raise not less than approximately HK$544.1 million and not more than approximately HK$697.7 million, before expenses, by way of the rights issue of not less than 10,463,687,800 rights shares and not more than 13,417,938,276 rights shares to the qualifying shareholders at a subscription price of HK$0.052 per rights share on the basis of two (2) rights shares for every one (1) existing share held on the record date.

The net proceeds from the rights issue (after deducting the estimated expenses) are estimated to be not less than approximately HK$524.9 million and not more than approximately HK$678.5 million. The estimated net subscription price per rights share after deducting the related expenses of the rights issue is expected to be approximately HK$0.050. The Group intends to apply net proceeds of approximately HK$524.9 million from the rights issue as to (i) approximately HK$196.0 million for the contribution to the facility to be made available to the JV Company; (ii) approximately HK$183.6 million for repayment of the outstanding corporate bonds and borrowings; (iii) approximately HK$100.0 million for expansion of the Group's money lending business; and (iv) the remaining balance for general working capital of the Group.

Details of the proposed rights issue are set out in the Company's announcements dated 3 January 2018, 24 January 2018, 5 February 2018 and 15 February 2018.

Possible disposal in relation to EPS

The Company is now in the course of negotiation with a connected person of the Company at subsidiary level, who is a director of certain subsidiaries of the Group (the "Potential Purchaser"), for the possible disposal of all or part of the equity interests in EPS. If a formal sale and purchase agreement is entered into between the Group and the Potential Purchaser, the transaction may constitute a notifiable transaction and an exempted connected transaction of the Company under the Listing Rules.

Details of the possible disposal are set out in the Company's announcement dated 15 February 2018.

PROSPECTS

New Energy Business

Under the leadership of Mr. Lars Magnus Nyfjäll, the director and chief executive officer of EPS and EPS International Holdings Limited, which are the wholly-owned subsidiaries of the Company, EPS expanded its sales coverage of EuroAd to North and South America, the Middle East and parts of Africa. However, the sales relationships building process is in its infancy, where product testing is still underway in respective countries. The product testing stage may take longer than expected, which will call for further spending in necessary resources to support this important stage. Once detailed product testing in various countries is completed, the Board believes that sales performance will improve.

In the China market, 德泰易馳(天津)環保科技有限公司 DeTai Yichi (Tianjin) Environmental Technology Limited ("DeTai Yichi"), a non-wholly owned subsidiary of the Company, initiated talks with transportation and logistics companies for long term bulk usage of EuroAd in their vehicle fleets. DeTai Yichi is also working closely with strategic joint venture partner, 北京中聯光采科技有限公司 (Beijing ZhongLian GuangCai Technology Co. Ltd) to jointly promote, market and broaden online to offline sales channels of EuroAd products.

Meeting the goals of carbon emission reduction is a national imperative set forth in the 13th Five Years Plan. The Board believes that the unique quality of EuroAd being able to reduce environmental impact and fuel consumption will capture a promising market share in populated China.

Hotel Hospitality Business

One Niseko Resort Towers is the Group's hotel property in the scenic destination of Hokkaido, Japan, which consists of a two-tower complex of 110 rooms of high-end accommodation.

The Japanese government targets to increase the number of foreign tourists, in particular in the run-up to the Tokyo Olympics in 2020. It is expected that the Tokyo Olympics and Shinkansen line expansion would attract 40 million arrivals not only to Tokyo but also to regional areas. Driven by the government's implementation and Niseko itself as a popular skiing and family holiday destination, tourism development is expected to boom. In recent years, Niseko has become a year round resort destination experiencing rapid growth in foreign visitors and investments especially from Greater China Region and South East Asia.

Japan was assigned to be the next host country for the 2019 G20 Summit in July 2017. Kutchan, a tourist hot spot and transport hub located just 15 minutes-drive away from Niseko, has officially announced in December 2017 its bid to be the host town for this high-authority political meeting in 2019. The Board believes that Kutchan Niseko areas contain proficient resources such as popular international resorts, sufficient accommodation options and a variety of meeting venues and it stands as a qualified candidate to host foreign very important persons ("VIPs") and political leaders.

The Group foresees large potential for growth on the number of overseas tourists and spending driven by the Tokyo Olympics 2020, the enactment of the Integrated Resort Laws in Japan and that the resort towers have continued to generate satisfactory income to the Group. The Directors are confident that the resort towers will allow the Group to achieve further diversification in our business portfolio and manage a steady income stream.

JV Company with Zhongke International Capital Limited

In October 2017, the name of the JV Company formed with Zhongke International Capital Limited was changed to Zhongke International Finance Limited to reflect the core business focus in financial services and investment.

The holding company of Zhongke International Capital Limited is 中科建設開發總公司 (Bureau of Construction and Development Company) (the "Bureau", together with its subsidiaries, the "Zhongke Group"). The Bureau is a national enterprise in China. From 1999, the Bureau was assigned to be under the management of 中國科學院 (the Chinese Academy of Sciences). The Bureau started from 北京中關村中國科學院 (Beijing Zhongguancun Chinese Academy of Sciences), and later moved its headquarters to Shanghai in 2004.

The Bureau has more than 60 branches and subsidiaries throughout China. In recent years, the Bureau has expanded its scope from construction and engineering into, including but not limited to, investment and financing and new energy.

In light of the dominant position and the vast business network of the Zhongke Group in the China market, the Board considers that given the track records of the Zhongke Group in investment and financing, the Group could leverage the synergies created under the joint venture to embark strategically on financial services and investment sectors in both Hong Kong and China.

The JV Company, Zhongke International Finance Limited will take advantage of its geographical location being based in Hong Kong to integrate the resources, vast network and Chinese domestic knowledge in China, to actively build and expand its cross-border business. To this end, the JV Company with its strategic location will serve as an international communication platform in building a strong foundation for cross-border businesses in finance and investment as well as the continual expansion of new energy business in Greater China and East Asia.

The Board considers that there is a keen demand for financial services in cross-border business between China and Hong Kong and that this segment will continue to boom as China rolls out its One Belt One Road initiatives.

The Board considers that the new business activities of the JV Company, Zhongke International Finance Limited, will provide the Group with a good opportunity to diversify its income sources and to build a strong foundation in financial and investment services.

Apart from the development of new energy business, hotel hospitality business and the JV Company, the Group will continue to be cautious in its investment approach on securities and funds, closely monitor the electric cycles, liquor and wine business and money lending services and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 86 (30 June 2017: 67) employees in Hong Kong, the PRC, Japan and Sweden. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, mandatory provident fund scheme for Hong Kong employees, and state-sponsored retirement plans for the PRC employees and share option scheme.

CONNECTED TRANSACTIONS

For the six months ended 31 December 2017, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2017, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following:

Code provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing independent non-executive Directors were not appointed for a specific term as required under the code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

Code provision A.6.7

Under the code provision A.6.7 of the CG Code, 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. Mr. Chui Kwong Kau, a non-executive Director, was unable to attend the annual general meeting of the Company held on 30 November 2017 as he had another business engagement at the time of such meeting.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the reporting period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") currently comprises of Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, all of whom are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 31 December 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.detai-group.com. The interim report of the Company will be despatched to the shareholders of the Company and make available on the above websites in due course.

By order of the Board
DeTai New Energy Group Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 27 February 2018

As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek, Mr. Chi Chi Hung, Kenneth, Mr. Shek Yat Him and Mr. Chan Wai Ki; the non-executive Director is Mr. Chui Kwong Kau; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.