HSIN CHONG GROUP HOLDINGS LIMITED
新昌集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Hsin Chong Group Holdings Limited (the "**Company**" or "**Hsin Chong**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, financial highlights of which are as follows:

A. REVIEW OF BUSINESS AND PROSPECTS

1. Financial Overview

(In HK$ million)

	Six months ended 30 June		Change	
	2017	2016	Amount	%
	(Unaudited)	(Unaudited)		
Revenue	**3,437**	4,784	–1,347	–28%
Revenue – excluding NSC#	**3,386**	4,621	–1,235	–27%
Gross Profit	**96**	242	–146	–60%
Gross profit margin	**2.8%**	5.1%	–2.3%	
Gross profit margin (excluding NSC#)	**2.8%**	5.2%	–2.4%	
Fair value (loss)/gain on investment properties	**(288)**	459	–747	–163%
Provision for impairment of properties under development	**(515)**	–	–515	N/A
EBITDA	**(1,124)**	532	–1,656	–311%
Net finance cost	**(139)**	(42)	–97	–231%
(Loss)/profit attributable to shareholders	**(1,087)**	378	–1,465	–388%
Basic (loss)/earnings per share *(in HK cents)*	**(19.0)**	6.9	–25.9	–375%
Interim dividend *(in HK cents)*	**–**	–	N/A	N/A

Note:

Nominated subcontractors' work of Macau Galaxy Resort Phase 2 project ("**NSC**")

2. Business Overview

Hsin Chong is an integrated construction and property group in the region, which pursues a strategic transformation in its business portfolio by establishing a dynamic property company. While we await the property business to deliver significant revenue contribution to the Group, our Group's construction business remained profitable.

(In HK$ million)	**Six months ended 30 June** **2017**	2016	**Change** Amount	%
Revenue				
Construction – excluding NSC	**3,353**	4,578	–1,225	–27%
Property development and investment	**33**	43	–10	–23%
	3,386	4,621	–1,235	–27%
Construction – NSC	**51**	163	–112	–69%
	3,437	4,784	–1,347	–28%
Discontinued operation *(Note)*	**–**	1,170	–1,170	–100%
	3,437	5,954	–2,517	–42%
Gross profit				
Construction	**85**	230	–145	–63%
Property development and investment	**11**	12	–1	–8%
	96	242	–146	–60%
Discontinued operation *(Note)*	**–**	82	–82	–100%
	96	324	–228	–70%
EBITDA				
Construction	**13**	176	–163	–93%
Property development and investment	**(1,079)**	452	–1,531	–339%
Corporate overhead and others	**(58)**	(96)	38	40%
	(1,124)	532	–1,656	–311%
Discontinued operation *(Note)*	**–**	30	–30	–100%
	(1,124)	562	–1,686	–300%
Gross profit margin (excluding NSC)				
Construction	**2.5%**	5.0%		
Property development and investment	**33.3%**	27.9%		

Note:

The discontinued operation represented interiors and special projects ("**ISP**") and property and facility management business upon the disposal of Synergis Holdings Limited, which ceased to be a subsidiary on 21 November 2016.

2.1 Construction Business Review

During the first half of 2017, the Construction Division received total new orders of HK$136 million (2016: HK$5,189 million), including the following major contracts:

(i) a sub-contract for air-conditioning and mechanical ventilation installation for construction of Public Rental Housing Redevelopment at Pak Tin Estate Phases 7 and 8; and

(ii) a sub-contract for air-conditioning installation for construction of Sports Center, Community Hall and Football Pitches in Area 1, Tai Po.

As of 30 June 2017, the outstanding workload (excluding NSC) reported HK$9 billion. Among all the contracts on hand, 74% were from the public sector and MTR, including:

(i) Government & Public Institutions: M+ Museum Main Works Contract at West Kowloon Cultural District and Design & Construction of Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station;

(ii) Hong Kong Housing Authority: a public housing project in Tung Chung; and

(iii) MTR Corporation: Elevated Road along LOHAS Park Road and the Pedestrian Footbridge FBI, Express Rail Link contract for West Kowloon Terminus Station South and Shatin to Central Link contract for Sung Wong Toi and To Kwa Wan Stations and Tunnels.

Another 26% were from private clients, most of which are prestigious property developers like Kerry Properties, New World Development and Lai Sun Development.

During the period under review, the Group's core Construction Business recorded revenue (excluding NSC) of HK$3.4 billion (2016: HK$4.6 billion) and gross profit of HK$85 million (2016: HK$230 million). The revenue for the period decreased by 27% comparing to that of last year and the gross profit decreased by 63%, our gross margin then decreased by 2.5 percentage point to 2.5%.

2.2 Property Development and Investment Business Review

Over the course of last few years, Hsin Chong has pursued a strategic transformation in its property business portfolio. Currently, the Group has two completed properties in the first-tier cities of Beijing and Guangzhou and four properties under development in Foshan, Tai'an, Tianjin and Tieling.

During the period under review, this division delivered a revenue of HK$33 million and a gross profit of HK$11 million.

<u>Property Portfolio</u>

<u>*Completed properties for investment and/or sale*</u>

(i) New Times Plaza, Beijing

The property is a commercial development, comprising 15 storeys aboveground and 3 storeys of basement. The shopping mall and car park occupy 9 floors of the property (from 3rd floor of the basement to 6th floor) with a total gross floor area ("**GFA**") of 55,798 square metres ("**sqm**"). The apartments are located on the 7th to 15th floors of the property. As at 30 June 2017, approximately 11,962 sqm of GFA are available for sale or lease.

As of 30 June 2017, the occupancy rate of the shopping mall was more than 90%. The contribution has been improving since acquisition. The New Times Plaza has generated stable rental and related income for the period.

(ii) Xiyang Computer City, Commercial Portion of Tian Cheng Ming Yuan

The property, which consists of a commercial property and a car park with around 325 carparking spaces, has a total GFA of 26,306 sqm.

<u>*Property under development*</u>

(i) La Viva, Foshan

La Viva, Foshan project is located at the "Ninety-Ninth Hill" of Dushugang Village, Lubao Town, Sanshui District of Foshan City. The project is 40 kilometers east to the downtown of Guangzhou and close to Hong Kong and Macau in the south. With the established three-dimensional transportation network in the surrounding area, it only takes 2 hours to get to the main cities in the Pearl River Delta Economic Zone, including Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Yunfu, Zhaoqing, Huizhou, Qingyuan and Jiangmen. The project enjoys access to a road network consisting of three east-west streets and two north-south streets, among which the existing Golf Avenue, Danan First-Grade Highway and Luhu Road can directly lead to the downtown area of Sanshui District, Guangzhou, Zhaoqing, and Qingyuan. The entrance of the Pearl River Delta Outer-Ring Expressway to be constructed at Lubao Town will be only 5 minutes' drive to the project. Moreover, the planning route of the Tangxi Highway to be constructed will pass by the project in the east, with a distance of only 1 minute's drive.

La Viva, Foshan is a mixed-use development project, consisting of a total GFA of approximately 1,900,000 sqm. The project has positioned as the first recreation and shopping resort town in Guangzhou-Foshan area. The project plans 13 featured business forms including hot springs recreation city, golf course, recreational vehicle camping encampment and outlets shopping mall.

Phase 1 comprises the existing retail outlets of approximately 99,000 sqm, which has been opened on 29 May 2017.

The residential development program adopts the "new suburbs life concept" advocating for high-quality of life. A total GFA of approximately 204,400 sqm of low density residential units and serviced apartments are planned for phase 1, of which about 24,000 sqm of low density residential property have been substantially completed. The residential sales will be launched after the phased opening of the retail outlets and granting of sales permit.

(ii) Commercial development project, Tai'an

The project is located in the new town in the south of Tai'an city, Shandong Province – Tai'an New and High Tech Industrial Development Zone. It is 70 kilometers from Ji'nan city in its north, approximately 12 kilometers from Dongyue Street in the downtown area of Tai'an city, and 14 kilometers from the trailhead of Mountain Taishan. The project includes commercial properties with a total GFA of 274,977 sqm. The project aims at building an integrated commercial complex featured with tourism and leisure element by integrating traditional business and tourism industry. Based on this comprehensive development framework, the tourism and leisure-oriented project will develop a variety of ancillary facilities integrating various functions such as recreation, leisure, sports, catering, and retail, etc. As at the date of this announcement, a total of 34 blocks of two-storey commercial retail outlet mall with a total GFA of 100,360 sqm are under construction.

(iii) Commercial development project, Tianjin

The Tianjin project is located at the start-up area of the Central Business District of Binhai New Area – the starting point of Xiangluo Bay Business District, an advantageous geographical location. Around the project are mainly office buildings and the development of the project will offer a comprehensive lifestyle centre with leisure, catering, commerce, and recreation for residents from surrounding communities. The project, which consists of a parcel of land, for which development approval has been submitted for commercial and office use, has a GFA of approximately 328,100 sqm.

(iv) La Viva, Tieling

La Viva, Tieling is located alongside the south bank of Fanhe River in the Tieling New Town, 8 kilometres north of the old town and about 30 kilometres south of the downtown of Shenyang city. The project includes numerous facilities such as retail, entertainment, tourist attractions, hotel, international school, water park, residential, office buildings and conference and exhibition facilities. It covers an area of 180 hectares and a total GFA of approximately 3 million sqm, of which approximately 2 million sqm are for residential use and approximately 1 million sqm are for commercial and other use.

Residential development Phase 1 comprises 16 high-rise residential towers and 22 low-rise residential towers, and yields a total saleable area of 225,000 sqm. Upon completion, there will be a total of 2,100 units available for sale, with sizes ranging from 40 to 213 sqm per unit and the average size per unit is 107 sqm. The residential sales will be tied with the phased opening of the retail outlets and water park.

Phase 1 of the commercial development of La Viva comprise of exhibition centre, banquet hall, club house, outlet mall and a water park, one of the key components of the unparalleled La Viva experience.

3. Looking Forward

Construction business

With Hsin Chong's leading construction industry position and remarkable track record in Hong Kong, we strive our best to take part in the city's infrastructure and building plans. The Group, in joint venture basis with Build King Holdings Limited, secured the Hong Kong Police Force Kowloon East Regional Headquarters Project contract in the second quarter of last year. Involving both design and construction works, the significant project for Hsin Chong also includes electrical and mechanical engineering works.

In the coming five years from 2019-20 to 2023-24, Hong Kong is expected to have 25 sites available for production of more than 60,000 flats of which more than 80% are for public housing.

The Group's financial situation has been restraining its ability to obtain new projects since the beginning of the year, which resulted in decrease of the Construction Business' turnover. This in turn cause reduction in the Group's cashflow and increase the financing cost.

Hsin Chong has pursued strategic measures include but not limited to disposal of assets and refinance the current facilities to restore the Group's cashflow and liquidity. During such restoration period, the management notice and foresee that (i) the operating progress of various projects may be affected; (ii) short term financing cost may increase; (iii) new tenders will be restricted until the cashflow and liquidity of the Group restored; and (iv) key staffs turnover may increase.

After the Group manages to sort out its current financial issues, Hsin Chong, as one of Asia's longest-standing construction groups with its firm foundation in the industry, will continue to strengthen our solid position to sustain further successes in Hong Kong.

Apart from the public sector, we will also pay our attention to high-end private sector customers with our professionalism and corporate tradition. We have been a major player in Hong Kong's infrastructural development, and will continue to focus our efforts on soliciting new opportunities in the competitive construction market.

PRC Property business

Hsin Chong has been experiencing a strategic transformation in diversifying our business segment with the expansion in PRC property development. We hope to grasp the new opportunities in the Mainland of China's fast developing property market.

A ceremony to celebrate the official opening of Hsin Chong Outlet Mall was held on 29 May 2017 in Foshan, Guandong Province. The retail mall indulges visitors with an extensive collection of chic fashion labels, both local and international, plus a wide selection of leisure and entertainment options. We believe this development will become a distinguished integrated tourist, leisure, lifestyle, shopping and entertainment landmark in the Hong Kong-southern China Greater Bay Area.

The launch of the Outlet Mall is just a first step in the realisation of Hsin Chong Town's vision to develop a brand new, integrated residential and recreational community in Lubao Town of Foshan's Sanshui District. Encompassing high quality homes, retail shopping, spa resorts and senior living residences, we believe the project will assist Sanshui District to grow into an attractive new destination to live and to visit. With these favourable factors, the project would provide a renowned reputation in China's property market and deliver a good return to the Group.

International Infrastructure Business – Belt and Road Initiative

The execution of a MOU between the Republic of Chad and Hsin Chong on 18 July 2016 extended the parties' collaboration horizon. A delegation comprising 7 Chad ministers visited Hong Kong in early November 2016 where meetings were held with Chad and potential financing banks on Chad's infrastructure projects. Following a visit to our project sites, including our Anderson Road Public Housing project and a reconnaissance of our M+ Museum project, the delegation invited Hsin Chong to support Chad in carrying out projects within the framework of its first Five-Year Plan under its 2030 Vision. The Company is concurrently considering other infrastructure projects, such as, solar energy, railway and mining projects, in other African countries, e.g. Morocco, Republic of Cote d'Ivoire, Central African Republic, Democratic Republic of Congo, Zimbabwe, Rwanda and Ghana.

Along the 21st-century Maritime Silk Road, Hsin Chong continues its focus on exploring infrastructure projects in Asia Pacific countries such as, India, Bangladesh, Malaysia, Philippines, Nepal and Singapore. At the beginning of 2017, the Group signed a MOU with a developer in Myanmar to provide project management and construction management services for a 1,800 acre large-scale integrated resort project.

Along the Silk Road Economic Belt, Hsin Chong also focuses on potential infrastructure projects in Central and Eastern European countries such as: Hungary and the Republic of Czech.

Hsin Chong continues to perform its roles as a Super-Connector under the Belt and Road Initiative and expands its construction expertise by integrating and creating a regional economic co-operation framework.

International Real Estate and Hospitality Business

In 2016, Hsin Chong has sought real estate investment and hospitality opportunities internationally. Over the period, investment opportunities in Asia and Europe have been explored. A MOU has been signed with H&Co. Real Estate Holdings Ltd, an international developer in Myanmar, with a view that Hsin Chong will provide developer services for a 1,800 acre integrated seaside resort development in Ngwe Saung. Other target areas include Macau, South East Asia and the United Kingdom.

Following the formation of the joint venture company, HC Sapphire Senior Living Ltd, with our Australian partner, Hsin Chong is now working towards developing senior care homes as well as providing fee earning management services for developments in first tier cities in the Mainland of China.

Going forward, Hsin Chong will continue to leverage its global network and development expertise to identify real estate development opportunities overseas, broadening the Group's income base and diversifying its business sectors and geographical coverage.

Eco-Friendly and Sustainability Concept

The construction sector is experiencing considerable change. Green building, which is designing and constructing buildings using eco-friendly materials and techniques, will continue to influence the global construction industry in 2017. The social trends such as sustainable and healthy living are set to shape in future years. As an influential construction industry leader in Hong Kong, we hope to act as a pioneer on sustainable development to maintain our superior position.

In 2017, a Memorandum of Understanding (MOU) with Mr. Lao Hoi Bun of Pou Shing (Macau) Limitada regarding the procurement of eco-friendly materials was signed during The 2017 Macao International Environmental Co-operation Forum and Exhibition (MIECF). The Group has been applying eco-friendly measures in our projects and this agreement further demonstrates our commitment to sustainable construction. We will continue to work with our partners to promote sustainable growth and development in Macau, where there is a wealth of opportunity.

4. Funding Highlights

Issuance of convertible preference shares ("CPS")

On 8 January 2015 and 8 July 2015, the Company issued a total of 5,654,772,134 CPS as the consideration (excluding the holdback amount) to acquire the Foshan project. On 15 January 2016, the Company further issued 259,263,039 CPS to settle the holdback amount which was pending the determination of the aggregate amount of fee, fine or penalty (if any) charged under the relevant land grant contract or applicable PRC laws at any time after completion but on or before 31 December 2015 in respect of any delay in the development of certain acquired parcels of land. On 26 April 2016, the Company lastly issued 295,833,333 CPS to settle the remaining holdback amount after the issue of land use rights certificates in respect of the remaining land.

3-year senior notes

In January 2016, the Company issued a 3-year senior notes with principal amounts of US$150 million due on 22 January 2019 bearing interest of 8.5% per annum which is payable semi-annually (the "**Senior Notes 2019**"). The Senior Notes 2019 achieved at a lower coupon than the Senior Notes 2018 which was issued in May 2015 reflects certain market interests in our 3-year USD notes. The Senior Notes 2019 are also listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Redemption by holders of 6.0% Convertible Bonds due 2017

On 25 October 2016, the Company has received notices for the exercise of the put option in respect of US$94,700,000 in principal amount of the Convertible Bonds (the "**Redemption Principal**"), representing approximately 97.33% in principal amount of the Convertible Bonds outstanding as at that date. In November 2016, the Company settled the Redemption Principal together with interest accrued.

On 11 August 2017, the Company redeemed all outstanding US$100 million 6% convertible bonds due 2017 ("**2017 Convertible Bonds**") in full at the redemption price equal to 100% of the outstanding principal amount of US$2,600,000 plus accrued and unpaid interest of US$30,758. The total redemption price paid by the Company on the redemption date was US$2,630,758. There are no outstanding 2017 Convertible Bonds in issue after the redemption.

Upon completion of the above redemptions, the 2017 Convertible Bonds have been cancelled and delisted from the Stock Exchange upon the close of business on 25 August 2017.

5. Financial Position

The Group monitors its liquidity requirements and arranges refinancing of the Group's borrowings when appropriate. As of 30 June 2017, the total debts were HK$12.4 billion of which HK$7.0 billion were from entrusted loans and HK$1.0 billion were from other loans, HK$3.4 billion were from senior notes of which HK$1.1 billion were issued in January 2016. Convertible bonds remaining balance was HK$50 million after redemption in November 2016. Total bank borrowings were at HK$905 million.

As of 30 June 2017, cash and bank deposits stood at HK$512.3 million (31 December 2016: HK$1,038.6 million).

Net gearing, representing net debt over tangible net assets (net assets less intangible assets) as at 30 June 2017, was 115% (31 December 2016: 102%).

Based on the current financial position and debt maturity profile, the primary objective of our prudent financial management is to try to lengthen the debt maturity and reduce the cost of finance. The overreliance on any single financing platform in the past would not meet the forthcoming requirements. Our financial professional would take a proactive role to improve the Group's cashflow through the expansion of funding sources.

6. Funding cost

Interest on the Group's bank borrowings is mainly charged at a spread to Hong Kong Interbank Offered Rate or People's Bank of China rate. Interest on the other borrowings including entrusted loans for PRC properties and other loans is on fixed rate term.

7. Pledge of assets

As at 30 June 2017, the Group pledged its investment properties with carrying amount of HK$7,838 million (31 December 2016: HK$7,310 million), property, plant and equipment and leasehold land with carrying amount of HK$1,601 million (31 December 2016: HK$2,265 million), non-current asset held for sale with carrying amount of HK$585 million (31 December 2016: nil), properties under development with carrying amount of HK$8,352 million (31 December 2016: HK$8,575 million), stocks of properties with carrying amount of HK$542 million (31 December 2016: HK$527 million), other receivable with carrying amount of nil (31 December 2016: 512 million) and bank balances with carrying amount of nil (31 December 2016: HK$627 million), and its equity interest in certain subsidiaries, as collaterals to various banks, financial institutions and other third parties to secure its borrowings.

8. Exposure to fluctuations in exchange rates and related hedges

The Group operates in Hong Kong, Macau, the PRC, Saipan and Cambodia with most of the transactions denominated and settled in local currencies. Foreign exchange risk exposure arising from the Group's operation in Macau and the PRC is monitored by proper synchronisation of receipts and payments in different operating currencies. For the Group's companies with USD as functional currency, it is not expected that there are any significant movements in the USD/HKD exchange rate as the HKD is pegged to the USD. As at 30 June 2017, the Group did not use any derivative financial instruments to hedge its exposure to foreign exchange risk (31 December 2016: nil).

9. Commitments

As at 30 June 2017, the Group had capital commitments in respect of contracted but not provided for capital expenditures on properties under development and other capital investment amounting to HK$2,789 million (31 December 2016: HK$2,939 million).

10. Contingent liabilities

At 30 June 2017 and 31 December 2016, the Group is subject to various claims on liquidated damages of certain construction contracts during the normal course of business. The Directors are of the opinion that the Group has applied extension of time to mitigate the liquidated damages and any resulting liability would not materially affect the financial position of the Group.

B. INTERIM DIVIDEND

To preserve funds for the expansion and development of the Company, the Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

C. CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*2*	**3,436,563**	4,783,236
Cost of sales	*7*	**(3,340,732)**	(4,541,777)
Gross profit		**95,831**	241,459
Other losses, net	*4*	**(110,106)**	(11,555)
Fair value (loss)/gain on investment properties		**(287,664)**	459,005
Provision for impairment of properties under development		**(515,349)**	–
Net exchange loss		**(36,220)**	(3,619)
Selling and general administrative expenses		**(325,458)**	(190,137)
Amortisation of intangible assets		**(10,323)**	(926)
Interest income		**24,503**	3,455
Interest expenses	*5*	**(163,264)**	(45,484)
(Loss)/profit before taxation		**(1,328,050)**	452,198
Taxation	*6*	**256,513**	(88,270)
(Loss)/profit for the period from continuing operations	*7*	**(1,071,537)**	363,928
Discontinued operation	*3*		
Profit for the period from discontinued operation		**–**	18,543
(Loss)/profit for the period	*7*	**(1,071,537)**	382,471

	Note	Unaudited Six months ended 30 June **2017** ***HK$'000***	 2016 *HK$'000*
(Loss)/profit attributable to:			
Equity holders of the Company		**(1,086,726)**	378,473
Non-controlling interests		**15,189**	3,998
		(1,071,537)	382,471
(Loss)/profit attributable to equity holders of the Company:			
Continuing operations		**(1,086,726)**	366,391
Discontinued operation		**–**	12,082
		(1,086,726)	378,473
(Loss)/earnings per share from continuing operations *(HK cents)*			
Basic	*8*	**(19.0)**	6.7
Diluted	*8*	**(19.0)**	3.1
Earnings per share from discontinued operation *(HK cents)*			
Basic	*8*	**–**	0.2
Diluted	*8*	**–**	0.1

D. CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(1,071,537)**	382,471
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value gain on leasehold land and building	**32,924**	39,278
Deferred tax on fair value gain of leasehold land and building	**(5,432)**	(6,481)
Items that may be subsequently reclassified to profit or loss:		
Fair value gain/(loss) on available-for-sale financial asset	**159**	(799)
Deferred tax on fair value (gain)/loss of available-for-sale financial asset	**(40)**	200
Exchange differences arising on translation of foreign operations	**444,162**	(344,972)
Other comprehensive income for the period, net of tax	**471,773**	(312,774)
Total comprehensive income for the period, net of tax	**(599,764)**	69,697
Total comprehensive income attributable to:		
Equity holders of the Company	**(632,564)**	66,299
Non-controlling interests	**32,800**	3,398
	(599,764)	69,697

E. CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Notes	**Unaudited 30 June 2017 HK$'000**	Audited 31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment and leasehold land		**2,412,716**	3,010,816
Investment properties		**9,792,727**	9,597,022
Intangible assets		**189,602**	194,200
Available-for-sale financial asset		**29,944**	29,785
Receivables and prepayments	*10*	**804,503**	661,070
Deferred tax assets		**7,480**	9,056
		13,236,972	13,501,949
Current assets			
Properties under development		**14,490,193**	13,429,518
Stocks and contracting work-in-progress		**2,429,000**	2,395,934
Receivables and prepayments	*10*	**1,975,266**	3,063,363
Amounts due from non-controlling interests		**1,134**	267
Amounts due from other partners of joint operations		**8,219**	8,041
Tax recoverable		**5,095**	–
Deposits, cash and cash equivalents		**511,990**	411,147
Restricted cash		**317**	627,416
		19,421,214	19,935,686
Non-current asset held for sale		**585,000**	–
		20,006,214	19,935,686
Current liabilities			
Bank overdrafts		**(9,108)**	(25,216)
Bank loans		**(896,171)**	(2,329,735)
Convertible bonds	*12*	**(49,774)**	(44,696)
Other borrowings		**(5,405,228)**	(4,151,612)
Senior notes		**(2,306,535)**	–
Payables and accruals	*11*	**(5,665,507)**	(6,011,998)
Amounts due to other partners of joint operations		**(51,198)**	(22,847)
Financial derivative liability	*12*	**(1,174)**	(183)
Current tax liabilities		**(93,076)**	(81,827)
		(14,477,771)	(12,668,114)
Net current assets		**5,528,443**	7,267,572
Total assets less current liabilities		**18,765,415**	20,769,521

	Note	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Non-current liabilities			
Other borrowings		**(2,604,868)**	(1,610,389)
Senior notes		**(1,131,204)**	(3,417,715)
Private bonds		**(21,446)**	–
Long service payment liabilities		**(2,157)**	(2,157)
Deferred tax liabilities		**(4,498,829)**	(4,632,585)
Total non-current liabilities		**(8,258,504)**	(9,662,846)
Net assets		**10,506,911**	11,106,675
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*13*	**1,141,084**	1,141,084
Other reserves		**9,391,003**	8,937,241
(Accumulated losses)/retained profits		**(639,541)**	446,785
		9,892,546	10,525,110
Non-controlling interests		**614,365**	581,565
Total equity		**10,506,911**	11,106,675

F. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has 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 disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information has been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Projects	Annual Improvement to HKFRS 2014-2016 Cycle

The adoption of these revised HKFRSs has had no significant impact on the results and financial position of the Group.

Going concern basis

For the six months ended 30 June 2017, the Group reported a net loss attributable to the owners of the Company of HK$1,087 million (2016: profit of HK$378 million) and had a net operating cash outflow of HK$1,327 million (2016: HK$1,357 million). Total borrowings increased from HK$11,580 million as at 31 December 2016 to HK$12,426 million as at 30 June 2017, of which HK$8,668 million (31 December 2016: HK$6,551 million) were classified as current liabilities. Unrestricted cash and cash equivalents increased from HK$411 million as at 31 December 2016 to HK$512 million as at 30 June 2017.

As at 30 June 2017 and up to the date of the approval of this interim financial information, the borrowings of the Group in aggregate of HK$961 million and HK$2,583 million respectively were overdue but the Group has not been able to obtain extension of repayment of such balances prior to the date of approval of this interim financial information. In respect of the borrowings of the Group in aggregate of HK$3,893 million as at 30 June 2017, the Group could not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements.

1. Basis of preparation and accounting policies (Continued)

Going concern basis (Continued)

Should the above-mentioned situations constitute or have become events of default under the respective borrowing agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$6,600 million at 30 June 2017, of which an aggregate amount of HK$3,289 million had original contractual repayment dates beyond 30 June 2018, to become immediately repayable.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

i. The Group has been actively negotiating with a number of commercial banks and other financial institutions for renewal and extension of bank and other borrowings and credit facilities. Specifically, the Group is in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;

ii. In addition, the Group is identifying various options for financing the Group's working capital and commitments in the foreseeable future by obtaining finance from shareholders, issuance of shares and debt instruments. In April 2017, a facility of HK$800 million which is available until and repayable by 30 September 2018 has been successfully obtained from a related company of a substantial shareholder of the Company;

iii. The Group has accelerated disposal plan of its property, plant and equipment and leasehold land, investment properties, properties under development and completed properties held for sale ("**Group Properties**"). Subsequent to the year end and up to the date of approval of the consolidated financial statements, the Group has successfully entered into certain memorandum of understandings to dispose of the Group Properties. Up to the date of approval of this interim financial information, the Group has successfully entered into certain uncommitted memorandums of understandings to dispose of certain Group Properties. Apart from selling the Group Properties, the Group launched its outlet mall in Foshan in May 2017, which will be followed by pre-sales of certain residential units in Foshan, which are expected to improve the Group's operating cash inflow in 2017; and

iv. The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustment and containment of capital expenditures.

1. Basis of preparation and accounting policies (Continued)

Going concern basis (Continued)

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2017. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2017. Accordingly, the directors are satisfied that it is appropriate to prepare the interim financial information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

i. Successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests;

ii. Successful obtaining of additional new sources of financing as and when needed;

iii. Successful implementation and acceleration of its disposal plans described above to accelerate its sales of the Group Properties, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures for the Group's unsold projects;

iv. Successful pre-sales of certain residential units in Foshan so as to generate operating cash inflows;

v. Successful negotiations with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenant or default, including those with cross-default terms; and

vi. Successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's construction business and the property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this interim financial information.

2. Segment information

(a) Operating segments

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, identified as the Executive Committee, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are (1) building construction; (2) civil engineering; (3) electrical and mechanical engineering; and (4) property development and investment.

Unaudited six months ended 30 June 2017	**Continuing operations** Building construction *HK$'000*	Civil engineering *HK$'000*	Electrical and mechanical *HK$'000*	Property development and investment *HK$'000*	Corporate and others *(Note 1)* *HK$'000*	Total *HK$'000*	**Discontinued operation** *HK$'000*
Revenue (excl. NSC *(Note 2)*)	2,358,698	560,954	432,659	32,999	753	3,386,063	–
Gross profit	55,363	6,742	22,429	11,164	133	95,831	–
Other gains/(losses), net	100	–	–	(111,689)	1,483	(110,106)	–
Provision for impairment of properties under development	–	–	–	(515,349)	–	(515,349)	–
Fair value loss on investment properties	–	–	–	(287,664)	–	(287,664)	–
Net exchange gain/(loss)	154	–	5	(46,384)	10,005	(36,220)	–
Selling and marketing expenses	–	–	–	(15,559)	–	(15,559)	–
General and administrative expenses	(46,501)	(18,807)	(10,910)	(159,922)	(73,759)	(309,899)	–
Operating profit/(loss)	9,116	(12,065)	11,524	(1,125,403)	(62,138)	(1,178,966)	–
Amortisation of intangible assets	–	–	–	(10,241)	(82)	(10,323)	–
Interest income	–	–	–	24,469	34	24,503	–
Interest expenses	–	–	–	(106,374)	(56,890)	(163,264)	–
Profit/(loss) before taxation	9,116	(12,065)	11,524	(1,217,549)	(119,076)	(1,328,050)	–
Taxation						256,513	–
Loss for the period						(1,071,537)	–
Capital expenditure	(93)	(94)	(85)	(236,106)	(121)	(236,499)	–
Depreciation	(4,147)	(66)	(128)	(46,303)	(3,857)	(54,501)	–
As at 30 June 2017							
Deposits, cash and cash equivalents	–	–	–	147,621	364,369	511,990	–
Bank overdrafts	–	–	–	–	(9,108)	(9,108)	–
Bank loans	–	–	–	(611,753)	(284,418)	(896,171)	–
Convertible bonds	–	–	–	–	(49,774)	(49,774)	–
Other borrowings	–	–	–	(6,980,079)	(1,030,017)	(8,010,096)	–
Financial derivative liability	–	–	–	–	(1,174)	(1,174)	–
Senior notes	–	–	–	–	(3,437,739)	(3,437,739)	–
Private bonds	–	–	–	–	(21,446)	(21,446)	–

2. Segment information (Continued)

(a) Operating segments (Continued)

Unaudited six months ended 30 June 2016	Building construction HK$'000	Civil engineering HK$'000	Electrical and mechanical HK$'000	Property development and investment HK$'000	Corporate and others *(Note 1)* HK$'000	Total HK$'000	Discontinued operation HK$'000
	Continuing operations						
Revenue (excl. NSC *(Note 2)*)	3,236,289	880,242	461,470	42,765	–	4,620,766	1,170,477
Gross profit	139,368	39,808	49,987	12,296	–	241,459	82,194
Other gains/(losses), net	320	–	38	704	(12,617)	(11,555)	1,902
Fair value gain on investment properties	–	–	–	459,005	–	459,005	–
Net exchange (loss)/gain	(371)	–	22	2,767	(6,037)	(3,619)	(122)
Selling and marketing expenses	–	–	–	(9,390)	–	(9,390)	–
General and administrative expenses	(27,700)	(17,623)	(13,091)	(40,922)	(81,411)	(180,747)	(55,694)
Operating profit/(loss)	111,617	22,185	36,956	424,460	(100,065)	495,153	28,280
Amortisation of intangible assets	–	–	–	–	(926)	(926)	(3,948)
Interest income	–	–	–	1,176	2,279	3,455	67
Interest expenses	–	–	–	(25,235)	(20,249)	(45,484)	(1,625)
Profit/(loss) before taxation	111,617	22,185	36,956	400,401	(118,961)	452,198	22,774
Taxation						(88,270)	(4,231)
Profit for the period						363,928	18,543
Capital expenditure	(1,936)	–	(155)	(202,974)	(6,354)	(211,419)	(9,518)
Depreciation	(4,572)	(69)	(140)	(27,989)	(3,854)	(36,624)	(2,389)
As at 30 June 2016							
Deposits, cash and cash equivalents	–	–	–	87,781	753,015	840,796	111,585
Bank loans	–	–	–	(2,602,883)	(610,265)	(3,213,148)	(198,720)
Convertible bonds	–	–	–	–	(601,664)	(601,664)	–
Other borrowings	–	–	–	(2,875,128)	–	(2,875,128)	–
Financial derivative liability	–	–	–	–	(214,000)	(214,000)	–
Senior notes	–	–	–	–	(3,400,231)	(3,400,231)	–
As at 31 December 2016							
Deposits, cash and cash equivalents	–	–	–	40,258	370,889	411,147	–
Bank overdrafts	–	–	–	–	(25,216)	(25,216)	–
Bank loans	–	–	–	(1,762,518)	(567,217)	(2,329,735)	–
Convertible bonds	–	–	–	–	(44,696)	(44,696)	–
Other borrowings	–	–	–	(4,494,073)	(1,267,928)	(5,762,001)	–
Financial derivative liability	–	–	–	–	(183)	(183)	–
Senior notes	–	–	–	–	(3,417,715)	(3,417,715)	–

Notes:

1. Corporate mainly represents corporate and administrative activities, and shared services; others represent international infrastructure business, international real estate, hospitality business and retailing business.

2. Nominated subcontractors' works of Macau Galaxy Resort Phase 2 project ("NSC").

2. Segment information (Continued)

(b) Geographical analysis

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue		
Continuing operations		
Hong Kong	**3,132,487**	3,934,990
Macau	**265,702**	781,314
The People's Republic of China ("PRC")	**34,427**	42,101
Others	**3,947**	24,831
	3,436,563	4,783,236
Discontinued operation		
Hong Kong	**–**	1,109,999
Macau	**–**	12,621
PRC	**–**	47,857
	–	1,170,477
	3,436,563	5,953,713

	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Non-current assets		
Hong Kong	**30,116**	585,447
Macau	**19**	23
PRC	**13,169,413**	12,877,638
	13,199,548	13,463,108
Available-for-sale financial asset	**29,944**	29,785
Deferred tax assets	**7,480**	9,056
Total non-current assets	**13,236,972**	13,501,949

(c) Customer base analysis

The Group's customer base is diversified and includes three (2016: two) customers with each of whom transactions exceeded 10% of the Group's total revenue. Aggregate revenue from these customers amounted to HK$1,702 million and was derived from building construction (2016: HK$2,169 million from building construction).

2. Segment information (Continued)

(d) Reconciliation of reportable segment revenue

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Reportable segment revenue	**3,386,063**	4,620,766
Revenue – NSC	**50,500**	162,470
	3,436,563	4,783,236
Discontinued operation		
Reportable segment revenue	**–**	1,170,477
	3,436,563	5,953,713

3. Discontinued operation

The discontinued operation represented interiors & special projects and property & facility management business upon the disposal of Synergis Holdings Limited, which ceased to be a subsidiary on 21 November 2016. The results of Synergis Holdings Limited for the period from 1 January 2016 to 30 June 2016 was presented as discontinued operation accordingly.

	Unaudited
	Six months ended
	30 June
	2016
	HK$'000
Revenue	1,170,477
Cost of sales and operating expenses	(1,147,703)
Profit before taxation	22,774
Taxation	(4,231)
Profit for the period	18,543
Profit attributable to:	
Equity holders of the Company	12,082
Non-controlling interests	6,461
	18,543

4. Other losses, net

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Continuing operations		
Net (loss)/gain on disposal of property, plant and equipment and leasehold land	**(12)**	32
Change in fair value in financial derivatives	**(991)**	(12,748)
Provision for impairment of property, plant and equipment and leasehold land	**(107,801)**	–
Provision for impairment of stock	**(4,359)**	–
Miscellaneous	**3,057**	1,161
	(110,106)	(11,555)
Discontinued operation		
Net loss on disposal of property, plant and equipment and leasehold land	**–**	(9)
Miscellaneous	**–**	1,911
	–	1,902

5. Interest expenses

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Interest on bank loans and overdrafts	**28,480**	55,848
Interest expense on convertible bonds *(Note 12)*	**5,683**	71,734
Interest expense on other borrowings	**953,778**	214,108
Interest expense on senior notes	**170,325**	163,009
Interest expense on private bonds	**208**	–
Others	**1,337**	5
	1,159,811	504,704
Less: amounts capitalised on qualifying assets	**(996,547)**	(457,595)
	163,264	47,109
Representing:		
Continuing operations	**163,264**	45,484
Discontinued operation	**–**	1,625
	163,264	47,109

6. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017 and 2016 after taking into account the available tax losses brought forward. Taxation on overseas profits has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited Six months ended 30 June			
	2017		2016	
	Continuing operations *HK$'000*	**Discontinued operation** *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*
Hong Kong profits tax	**8,456**	**–**	17,731	4,820
PRC income tax	**2,539**	**–**	7,906	–
Overseas profits tax	**2,887**	**–**	5,289	–
Deferred tax (credit)/charge	**(270,395)**	**–**	57,344	(589)
	(256,513)	**–**	88,270	4,231

7. (Loss)/profit for the period from continuing operations and discontinued operation

(Loss)/profit for the period from continuing operations and discontinued operation has been arrived at after charging the following items:

	Unaudited Six months ended 30 June			
	2017		2016	
	Continuing operations *HK$'000*	**Discontinued operation** *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*
Cost of sales				
Cost of construction				
– Staff costs	**408,714**	**–**	567,045	64,134
– Other construction costs	**2,909,563**	**–**	3,944,263	707,909
	3,318,277	**–**	4,511,308	772,043
Cost of property and facility management services				
– Staff costs	**–**	**–**	–	250,602
– Others	**–**	**–**	–	65,638
	–	**–**	–	316,240

7. (Loss)/profit for the period from continuing operations and discontinued operation (Continued)

(Loss)/profit for the period from continuing operations and discontinued operation has been arrived at after charging the following items: (Continued)

	Unaudited Six months ended 30 June 2017		Unaudited Six months ended 30 June 2016	
	Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Cost of property development and investment				
– Staff costs	**3,232**	**–**	–	–
– Stock of properties sold	**6,785**	**–**	12,921	–
– Others	**11,818**	**–**	17,548	–
	21,835	**–**	30,469	–
Cost of retailing				
– Others	**620**	**–**	–	–
	3,340,732	**–**	4,541,777	1,088,283
Depreciation of property, plant and equipment and leasehold land	**54,501**	**–**	36,624	2,389
Auditor's remuneration	**2,533**	**–**	2,262	571
Operating lease rentals for land and buildings	**19,251**	**–**	7,719	3,706
Outgoings in respect of				
– Investment properties	**11,012**	**–**	20,902	–
– Owner occupied property	**2,318**	**–**	1,671	–
Staff costs, included in general and administrative expenses	**145,501**	**–**	102,504	35,805

8. (Loss)/earnings per share

(a) Basic (loss)/earnings per share is calculated by dividing the Group's unaudited (loss)/profit attributable to the equity holders less dividends to convertible preference shareholders by the weighted average number of ordinary shares in issue during the corresponding period.

	Unaudited Six months ended 30 June			
	Continuing operations		**Discontinued operation**	
	2017	2016	**2017**	2016
(Loss)/profit attributable to ordinary shareholders *(HK$'000) (Note)*	**(1,086,726)**	366,391	**–**	12,082
Weighted average number of ordinary shares issued *('000)*	**5,706,671**	5,464,996	**5,706,671**	5,464,996
Basic (loss)/earnings per share *(HK cents)*	**(19.0)**	6.7	**–**	0.2

8. **(Loss)/earnings per share (Continued)**

Note: Pursuant to the terms of the convertible preference shares, the holders are at all times entitled to dividends or other distributions of the same amount with respect to the Company's ordinary shares. There was no dividend declared by the board for the period ended 30 June 2017 and 2016 and accordingly no adjustment has been made in the calculation of the basic (loss)/earnings per share for the periods.

(b) The diluted loss per share for continuing operations for the six months ended 30 June 2017 is the same as the basic loss per share because the exercise of the Group's share options, convertible preference shares and convertible bonds would result in a decrease in loss per share for the period. The basis for diluted earnings per share for discontinued operation is the same as the basis used in continuing operations. Diluted earnings per share for the six months ended 30 June 2016 is calculated by dividing the Group's unaudited profit attributable to the equity holders by the weighted average number of ordinary shares outstanding after adjustment for the potential dilutive effect in respective of outstanding share options and potential ordinary shares to be issued on convertible bonds outstanding and convertible preference shares during the period.

	Unaudited Six months ended 30 June			
	Continuing operations		**Discontinued operation**	
	2017	2016	**2017**	2016
(Loss)/profit attributable to equity holders *(HK$'000)*	**(1,086,726)**	366,391	**–**	12,082
Add: Change in fair value in financial derivatives *(HK$'000)*	**–**	12,748	**–**	–
	(1,086,726)	379,139	**–**	12,082
Weighted average ordinary shares issued *('000)*	**5,706,671**	5,464,996	**5,706,671**	5,464,996
Adjustment for convertible preference shares issued *('000)*	**–**	5,704,167	**–**	5,704,167
Adjustment for convertible bonds issued *('000)*	**–**	998,263	**–**	998,263
Weighted average number of ordinary shares for calculating diluted (loss)/earnings per share *('000)*	**5,706,671**	12,167,426	**5,706,671**	12,167,426
Diluted (loss)/earnings per share *(HK cents)*	**(19.0)**	3.1	**–**	0.1

9. **Dividends**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

10. Receivables and prepayments

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Trade receivables		
– third parties	**203,153**	856,613
– provision for impairment	**(423)**	(423)
	202,730	856,190
Retention receivables		
– third parties	**1,078,604**	1,213,917
– provision for impairment	**(125)**	(125)
	1,078,479	1,213,792
	1,281,209	2,069,982
Other receivables		
– third parties[1]	**551,097**	623,910
– related companies[2]	**464,736**	285,307
	1,015,833	909,217
Deposits and prepayments		
– third parties	**482,727**	745,234
	2,779,769	3,724,433
Less: non-current portion	**(804,503)**	(661,070)
	1,975,266	3,063,363

Notes:

1. Balance includes deposits of nil (31 December 2016: HK$512 million) made to a third party as collateral to secure the other borrowings from the corresponding party.

2. Related companies represented two companies incorporated in the PRC, which are owned by a former director of the Company, who resigned on 8 June 2017, and/or close member of his family. Balances represent two borrowings granted to the two related companies which carry interest at 12% per annum and at 0.91667% per month and is repayable by 21 August 2024 and 12 November 2018 respectively.

10. Receivables and prepayments (Continued)

The aging analysis of trade receivables by due date is as follows:

	Unaudited 30 June 2017 ***HK$'000***	Audited 31 December 2016 *HK$'000*
Not yet due	**141,571**	758,437
1 to 30 days	**23,400**	85,011
31 to 90 days	**16,900**	2,586
91 to 180 days	**11,714**	6,710
Over 180 days	**9,145**	3,446
	202,730	856,190

The Group's credit terms for its contracting business and property rental services are negotiated with and entered into under normal commercial terms with its trade customers. The credit period for the trade receivables for contracting business generally ranges from 30 to 60 days (31 December 2016: 30 to 60 days). Retention receivables in respect of contracting business are settled in accordance with the terms of respective contracts. Rental income is billed in advance of the rental period.

11. Payables and accruals

	Unaudited 30 June 2017 ***HK$'000***	Audited 31 December 2016 *HK$'000*
Trade payables – third parties	**844,452**	1,311,707
Retention payables – third parties	**883,563**	918,800
Accruals for builders' work	**2,097,820**	2,249,265
	3,825,835	4,479,772
Other payables, deposits and accruals		
– third parties	**1,504,522**	1,207,039
– accruals for tax liabilities on acquisition of land parcels in Tieling	**335,150**	325,187
	5,665,507	6,011,998

11. Payables and accruals (Continued)

The aging analysis of trade payables by due date is as follows:

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Not yet due	**457,163**	668,127
1 to 30 days	**53,210**	307,600
31 to 90 days	**88,966**	145,571
91 to 180 days	**83,438**	77,539
Over 180 days	**161,675**	112,870
	844,452	1,311,707

12. Convertible bonds and financial derivative liability

On 20 November 2015, the Group issued 6.0% convertible bonds at a par value of USD100 million. The bonds mature two years from the issue date at their nominal value of USD100 million or can be converted into shares at the holder's option within the conversion period at the rate of HK$1.00 per share. On 20 May 2016, the conversion price was adjusted downwards to HK$0.78 per share. The values of the liability component and the embedded derivative component were determined at the issuance of the bonds. During the year of 2016, principal amount of HK$734 million was early redeemed by the Company.

On 19 May 2016, the Group issued zero coupon convertible bonds at a par value of HK$34 million. The bonds mature on the 18th month from the issue date at their nominal value of HK$34 million or can be converted into shares at the holder's option from the date of issue up to the maturity date at the rate of HK$1.00 per share. The values of the liability component and the equity component were determined at the issuance of the bonds.

12. Convertible bonds and financial derivative liability (Continued)

The movements of the liability component of the 6.0% convertible bonds and zero coupon convertible bonds are set out below:

	6.0% convertible bond 20 November 2015 *HK$'000*	**Zero coupon convertible bond 19 May 2016** *HK$'000*	**Total** *HK$'000*
At 1 January 2016	544,199	–	544,199
Issue of zero coupon convertible bonds	–	24,126	24,126
Interest expense	132,439	3,653	136,092
Conversion to ordinary shares of the Company	(15,764)	–	(15,764)
Coupon interest paid	(46,478)	–	(46,478)
Early redemption	(597,479)	–	(597,479)
At 31 December 2016	16,917	27,779	44,696
Interest expense *(Note 5)*	**2,362**	**3,321**	**5,683**
Coupon interest paid	**(605)**	**–**	**(605)**
At 30 June 2017	**18,674**	**31,100**	**49,774**

The movements of the embedded derivative component of the 6.0% convertible bonds are set out below:

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
At 1 January	**183**	206,412
Change in fair value in financial derivatives	**991**	(194,168)
Conversion to ordinary shares of the Company	**–**	(5,573)
Early redemption	**–**	(6,488)
At 30 June/31 December	**1,174**	183

13. Share capital

	Unaudited 30 June 2017		Audited 31 December 2016	
	Number of shares '000	***HK$'000***	*Number of shares '000*	*HK$'000*
Authorised, ordinary shares of HK$0.1 each:				
At 1 January	**30,000,000**	**3,000,000**	30,000,000	3,000,000
Addition	**–**	**–**	–	–
At 30 June/31 December	**30,000,000**	**3,000,000**	30,000,000	3,000,000
Authorised, preference shares of HK$0.1 each:				
At 1 January	**15,000,000**	**1,500,000**	15,000,000	1,500,000
Addition	**–**	**–**	–	–
At 30 June/31 December	**15,000,000**	**1,500,000**	15,000,000	1,500,000
Ordinary shares, issued and fully paid:				
At 1 January	**5,706,671**	**570,667**	5,188,577	518,858
Issue of shares upon conversion of convertible preference shares	**–**	**–**	505,702	50,570
Issue of shares upon conversion of convertible bonds	**–**	**–**	26,828	2,683
Cancellation on repurchase of shares	**–**	**–**	(14,436)	(1,444)
At 30 June/31 December	**5,706,671**	**570,667**	5,706,671	570,667
Preference shares, issued and fully paid:				
At 1 January	**5,704,166**	**570,417**	5,654,772	565,477
Exercise of conversion right attached to convertible preference shares	**–**	**–**	(505,702)	(50,570)
Issue of consideration preference shares	**–**	**–**	555,096	55,510
At 30 June/31 December	**5,704,166**	**570,417**	5,704,166	570,417
	11,410,837	**1,141,084**	11,410,837	1,141,084

14. Event after the reporting period

Subsequent to the end of the reporting period, the Group completed the disposal of a leasehold land and building in Hong Kong reclassified as non-current asset held for sale at a total consideration of HK$760 million. The disposal was completed on 14 August 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any to the Company's listed securities during the period.

H. HUMAN RESOURCES

As at 30 June 2017, the total number of employees in the Group was 2,269 full time staff, which included staff in different business segments, such as construction, property development, international business and related services. They are employed in Hong Kong, Macau and Chinese Mainland, and overseas countries.

The Group adopts sound policies of management incentives and competitive remuneration, which align the interests of management, employees and Shareholders. The chief asset of the Group remains the skills and expertise of our loyal staff and we have rightly invested much time and effort in the selection, training, retention and personal improvement of our staff.

The Group sets its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, which is essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of the remuneration package consisted of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share option scheme and long-term rewards.

I. REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company comprises four members, namely Mr. CHENG Sui Sang (Chairman of the Audit Committee), Mr. CHUI Kwong Kau, Mr. KWOK, Shiu Keung Ernest (resigned with effect from 5 May 2017), Mr. George YUEN Kam Ho and Mr. LAI Chik Fan (appointed with effect from 8 June 2017). The Audit Committee, together with management and the external auditor of the Company, BDO Limited, have reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2017.

J. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by the Directors. Having been made specific enquiries by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

K. PROSPECTS

The Board will closely work with professional parties on the application for the resumption of trading of the Company's shares on the Stock Exchange in the near future and strive for the best return to the shareholders of the Company.

L. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles of the code provisions and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. During the six months ended 30 June 2017, the Company complied with all code provisions of the CG Code except for the following deviation:

Code provision A.6.7 of the CG Code provides that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Save for three Non-executive Directors who were not able to attend the annual general meeting held on 2 June 2017, due to their own other important business engagements, all other Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting held on 2 June 2017.

M. COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to Rule 3.10A of the Listing Rules, the Company must appoint Independent Non-executive Directors representing at least one-third of the Board. Upon the appointment of Mr. Eric TODD as the Executive Directors with effect from 9 March 2017, and with the resignation of Independent Non-executive Director of Mr. KWOK Shiu Keung Ernest on 5 May 2017, the Company did not fulfill the Rule 3.10A of the Listing Rules. However, on 8 June 2017, with the resignation of Mr. ZHOU Wei from the position of Executive Director and the appointment of Mr. LAI Chik Fan as the Independent Non-executive Director respectively, the number of the Independent Non-executive Directors has fulfilled with the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rule.

N. EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Company's auditor did not express a conclusion on the Company's interim financial information for the six months ended 30 June 2017, an extract of which is as follows:

Basis for Disclaimer of Conclusion

(1) Multiple uncertainties relating to going concern

As described in Note 2 to the interim financial information, the Group reported a net loss attributable to the owners of the Company of HK$1,087 million and had a net operating cash outflow of approximately HK$1,327 million during the six-month period ended 30 June 2017. As at the same date, the Group's total borrowings amounted to HK$12,426 million, of which HK$8,668 million were classified as current liabilities, while its unrestricted cash and cash equivalents increased from HK$411 million to HK$512 million only.

As at 30 June 2017 and up to the date of this report, the borrowings of the Group in aggregate of HK$961 million and HK$2,583 million respectively were overdue but the Group has not been able to obtain extension of repayment of such balances prior to the date of this report. The overdue borrowings without extension would be immediately repayable if requested by the lenders. Furthermore, in respect of the borrowings of the Group in aggregate of HK$3,893 million as at 30 June 2017, the Group could not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements.

Should the above-mentioned situations constitute or have become events of default under the respective borrowing agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$6,600 million at 30 June 2017, of which an aggregate amount of HK$3,289 million had original contractual repayment dates beyond 30 June 2018, to become immediately repayable.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in Note 2 to the interim financial information. The interim financial information has been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful implementation and acceleration of its disposal plan of its property, plant and equipment and leasehold land, investment properties, properties under development and completed properties held for sale, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures for the Group's unsold projects; (iv) the successful pre-sales of certain residential units in Foshan so as to generate operating cash inflows; (v) the successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and (vi) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's construction business and the property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

The Company's auditor did not express audit opinion on the Company's consolidated financial statements for the year ended 31 December 2016 (the "Company's 2016 financial statements") due to the potential interaction of the above-mentioned multiple uncertainties relating to going concern and the possible cumulative effect on the Company's 2016 financial statements, and the other limitations on their scope of audit procedures. The Group's financial position as of 30 June 2017 and up to the date of this report, and the measures undertaken by the directors of the Company to improve the Group's financial position as summarised above are substantially the same as that existing as of 31 December 2016 and as of the date of the auditor's report on the Company's 2016 financial statements. The multiple uncertainties remain unresolved as of 30 June 2017 and their possible cumulative effects on the interim financial information could be both material and pervasive.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the interim financial information.

(2) Transactions and balances relating to Mr. Zhou and his related entities

The Company's auditor reported limitation on their scope of work in their audit of the Company's 2016 financial statements in respect of certain transactions and balances relating to a former director of the Company, Mr. Zhou. The transactions and balances are summarised below.

(2)(i) Funding arrangements in relation to certain properties in Beijing

A set of agreements ("Agreement A"), which was not complete and fully executed, was entered into by a wholly-owned subsidiary of the Group ("Subsidiary A"), Mr. Zhou Wei ("Mr. Zhou"), and a People's Republic of China (the "PRC") incorporated company indirectly owned by Mr. Zhou and his relative ("Mr. Zhou's Company A"). Pursuant to Agreement A, Mr. Zhou's Company A should sell certain properties in Beijing, the PRC (the "BJ Properties") to the Group at a consideration of RMB500 million. According to Agreement A, the Group should make a first instalment of RMB130 million upon fulfilling certain conditions, of which RMB129 million had been paid by Subsidiary A to Mr. Zhou's Company A in August 2016. This balance was recorded as "Receivables and Prepayments" under non-current assets in the Group's consolidated balance sheet as at 31 December 2016.

Another set of agreements ("Complete Agreement A") were entered by the Subsidiary A, Mr. Zhou and Mr. Zhou's Company A which was the same as Agreement A, except that they were complete and fully executed. Pursuant to further documents entered by Subsidiary A, another wholly-owned subsidiary of the Group ("Subsidiary B") and Mr. Zhou's Company A ("Further Documents"), Complete Agreement A was terminated as Subsidiary A did not provide the remaining funding of RMB370 million under that agreement. Furthermore, the balance of RMB129 million advanced by Subsidiary A was treated as an unsecured loan to Mr. Zhou's Company A, which carries interest at 12% per annum and is repayable before 21 August 2024.

(2)(ii) Cooperation agreement in relation to the BJ Properties

A cooperation agreement was entered into between another wholly-owned subsidiary of the Group ("Subsidiary C") and another PRC incorporated company owned by Mr. Zhou's relatives ("Mr. Zhou's Company B") together with a guarantee agreement entered into amongst Subsidiary C, Mr. Zhou's Company A and Mr. Zhou (collectively, "Agreement B"). Pursuant to Agreement B, as considerations for certain services provided by Mr. Zhou's Company B, Subsidiary C should pay a total amount of RMB247.5 million to Mr. Zhou's Company B. Payments of RMB126.2 million and RMB121.3 million were made by Subsidiary C to another company indirectly owned by Mr. Zhou on 29 December 2016 and 13 January 2017, respectively, which were financed by a long-term loan facility of RMB420 million provided by a financial institution in the PRC to the Group on 28 December 2016. Pursuant to the relevant loan agreement, Mr. Zhou's Company A pledged the BJ Properties to the financial institution as a security to the loan facility of RMB420 million. As at 31 December 2016, the first payment was recorded as "Receivables and Prepayments" under non-current assets in the Group's consolidated balance sheet as at 31 December 2016. No profit or loss was recognised in the Consolidated Income Statement for the year ended 31 December 2016 in this connection.

Pursuant to another agreement ("Agreement C"), Agreement B was terminated and a loan agreement ("Agreement D") was entered into, pursuant to which total payments of RMB247.5 million, made on 13 January 2017, in accordance with Agreement B, are treated as a loan from Subsidiary C to Mr. Zhou's Company B for a term of period from 28 December 2016 to 12 November 2018, which carries interest at 0.91667% per month.

In relation to these transactions and balances with Mr. Zhou and entities related to him under (2)(i) and (2)(ii), together with the concerns on those transactions described in paragraphs (3) and (4) below in this report, the auditor of the Company's 2016 financial statements requested the Company's audit committee to commission an independent investigation on the approval, authenticity and commercial substance of the relevant transactions (the "Proposed Investigation"). Because of the above scope limitations and the multiple uncertainties relating to the Group's ability to continue as a going concern (see sub-section (1) above) the Company's auditor did not express an opinion on the Company's 2016 financial statements.

In respect of the matter stated under (2)(i), RMB129 million was recorded as "Receivables and Prepayments" under non-current assets in the Group's condensed consolidated balance sheet as at 30 June 2017. For the six-month period ended 30 June 2017, interest income of RMB7.2 million was recognised in the Group's condensed consolidated interim income statement and the corresponding interest receivable was included as "Other Receivable" under current assets in the Group's condensed consolidated balance sheet as at 30 June 2017.

In respect of the matter stated under (2)(ii), RMB247.5 million was recorded as "Receivables and Prepayments" under non-current assets in the Group's condensed consolidated balance sheet as at 30 June 2017. For the six-month period ended 30 June 2017, interest income of RMB12.9 million was recognised in the Group's condensed consolidated interim income statement and the corresponding interest receivable was included as "Other Receivable" under current assets in the Group's condensed consolidated balance sheet as at 30 June 2017.

As at the date of this report, the Proposed Investigation is still in progress and the circumstances in respect of the transactions and balances relating to Mr. Zhou and his related entities remained substantially the same as at 31 December 2016 and the directors of the Company were unable to provide us any further explanation about these transactions and balances. Based on our procedures performed, the following issues which were highlighted in the report of the Company's auditor relating to the Company's 2016 financial statements remained unresolved:

(i) the business rationale and commercial substance, legitimacy, occurrence, accuracy, completeness and presentation of these transactions and the related balances as at and during the year/period ended 31 December 2016 and 30 June 2017;

(ii) the valuation of the related balances as at 31 December 2016 and 30 June 2017; and

(iii) whether the effects of these transactions have been properly accounted for and disclosed, including the accuracy and completeness of any related party transaction disclosures.

(3) Payments made to a construction company

The Company's auditor reported limitation on their scope of work in their audit of the Company's 2016 financial statements in respect of payments made to a construction company. The details about the payment transactions are summarised below.

Two shop renovation subsidy agreements (the "Subsidy Agreements") entered into by certain wholly-owned subsidiaries of the Group with a construction company incorporated in the PRC (the "Construction Company"), in relation to the Group's property development project in Foshan city, the PRC (the "Foshan project"), and another one in relation to the Group's property development project in Taian city, the PRC (the "Taian project"). There was also a supplemental agreement (the "Supplemental Agreement") in relation to the Foshan project, and an interior renovation construction contract (the "Renovation Contract") in relation to the Taian project.

Total contract sums under the Subsidy Agreements amounted to RMB765 million and RMB136 million for the Foshan project and the Taian project respectively. Amounts of RMB433 million and RMB22 million were paid in accordance with the Subsidy Agreements for the Foshan project and the Taian project respectively in 2016.

Pursuant to the Supplemental Agreement for the Foshan project only, as a result of the Group's revised development and investment plan, an amount of RMB457 million out of the total contract sum of RMB765 million under the Subsidy Agreements was revised to cover certain services ("Services") to be provided by the Construction Company. The remaining balance of RMB308 million was revised as subsidies for the renovation work of the future tenants as stipulated in the Subsidy Agreements, together with other construction work and tender services in relation to the Foshan project, with the final contract sum subject to work certification. As at 31 December 2016, of the total RMB433 million paid by the Group to the Construction Company under the Subsidy Agreements, an amount of RMB409 million was accounted for as partial payment in respect of the work of RMB457 million under the Supplemental Agreement. In August 2016, the Construction Company issued a payment request totaling RMB48 million, to the Group stating that the work under the Services had been completed. This amount was paid by the Group in January 2017.

Pursuant to the Renovation Contract for the Taian project only, the Construction Company should provide interior decoration service for the first phase outlet mall of the Taian project for a contract sum of RMB500 million. An amount of RMB250 million was paid under the Renovation Contract upon the inception of the Renovation Contract. Management confirmed that as at 31 December 2016, the work under the Renovation Contract has not commenced.

In the Group's consolidated balance sheet as at 31 December 2016, the aggregate amount of RMB272 million paid for the Taian project was included as “Receivables and Prepayments” under non-current assets while for the Foshan project, out of the aggregate amount of RMB433 million paid by the Group, amounts of RMB409 million were accounted for as additions to “Investment Properties” during 2016 and amounts of RMB24 million was included as “Receivables and Prepayments” under non-current assets.

In relation to these payment transactions, together with the concerns on those transactions described in sub-sections headed (2) and (4) in this report, the auditor of the Company’s 2016 financial statements has requested the Company’s audit committee to commission an independent investigation on the approval, authenticity and commercial substance of the relevant transactions (the “Proposed Investigation”). Because of the above scope limitations and the multiple uncertainties relating to the Group’s ability to continue as a going concern (see sub-section (1) above), the Company’s auditor did not express an opinion on the Company’s 2016 financial statements.

During the six-month ended 30 June 2017, the aggregate amount of RMB148 million paid for the Foshan project of which RMB126 million and RMB22 million was accounted for as addition to “Investment Properties” and “Property, plant and equipment” respectively. In respect of the aggregate amount of RMB24 million which was included as “Receivables and Prepayments” under non-current assets, as mentioned above, RMB19 million and RMB5 million was reclassified to “Investment Properties” and “Property, plant, equipment” respectively during the six-month period ended 30 June 2017.

In the Group’s condensed consolidated balance sheet as at 30 June 2017, RMB491 million and RMB90 million was accounted for as “Investment Properties” and “Property, plant and equipment” respectively for the Foshan project and RMB272 million was accounted for as “Receivables and Prepayments” for the Taian project.

As at the date of this report, the Proposed Investigation is still in progress and the circumstances in respect of the payment transactions remained substantially the same as at 31 December 2016 and the directors of the Company were unable to provide us any further explanation about these transactions and balances. Based on our procedures performed, the following issues which were highlighted in the report of the Company’s auditor relating to the Company’s 2016 financial statements remained unresolved:

(i) the business rationale (including the reasonableness of the subsidies to tenants as compared with common market practices) and commercial substance, occurrence, accuracy, completeness and presentation of these transactions together with the related balances as at and during the year/period ended 31 December 2016 and 30 June 2017;

(ii) whether the effects of these transactions have been properly accounted for and disclosed, including the potential impact on the carrying amounts of the related assets of the Foshan project and the Taian project including "Investment Properties", "Receivables and Prepayments" or other assets in the Group's consolidated balance sheet as at 31 December 2016 and condensed consolidated balance sheet as at 30 June 2017 and the potential related impact to changes in fair value for investment properties or other items in the consolidated income statement for the year ended 31 December 2016 and the condensed consolidated interim income statement for the six-month period ended 30 June 2017; and

(iii) disclosure of the related capital commitment, if any.

(4) Payments made to certain financial consultancy companies

The Company's auditor reported limitation on their scope of work in their audit of the Company's 2016 financial statements in respect of payments made to certain financial consultancy companies. The details about the payment transactions are summarised below.

In 2016, total payments of RMB120 million to four companies incorporated in the PRC (the "Financial Consultancy Companies") was made by certain wholly-owned subsidiaries of the Group. These balances were capitalised in "Properties under Development" in the consolidated balance sheet as at 31 December 2016.

For these payments, several financial consultancy service agreements (the "Financial Consultancy Agreements") were entered into by the Group in May 2016, pursuant to which, the Financial Consultancy Agreements, the Financial Consultancy Companies should provide financial consultancy services to the Group. Details of the services were not provided in these agreements however. In addition, a management schedule was provided to relate the aforesaid financial consultancy service fees of RMB120 million to an entrusted loan of RMB750 million obtained by the Group in May 2016, together with certain documents from the Financial Consultancy Companies to the Group stating that the amounts received were related to the aforesaid entrusted loan. However, the names or the existence of the Financial Consultancy Companies as consultants were not mentioned in the corresponding entrusted loan agreement.

In relation to these payment transactions, together with the concerns on those transactions described in sub-sections headed (2) and (3) in this report, the auditor of the Company's 2016 financial statements has requested the Company's audit committee to commission an independent investigation on the approval, authenticity and commercial substance of the relevant transactions (the "Proposed Investigation"). Because of the above scope limitations and the multiple uncertainties relating to the Group's ability to continue as a going concern (see sub-section (1) above), the Company's auditor did not express an opinion on the Company's 2016 financial statements.

As at the date of this report, the Proposed Investigation is still in progress and the circumstances in respect of the payment transactions remained substantially the same as at 31 December 2016 and the directors of the Company were unable to provide us any further explanation about these transactions and balances. Based on our procedures performed, the following issues which were highlighted in the report of the Company's auditor relating to the Company's 2016 financial statements remained unresolved:

(i) the business rationale and commercial substance, occurrence, accuracy, completeness and presentation of these transactions together with the related balances as at and during the year/period ended 31 December 2016 and 30 June 2017; and

(ii) whether the effects of these transactions have been properly accounted for and disclosed, including the potential impact on the carrying amounts of the any related assets of the Group's property projects under "Properties under Development" and "Investment Properties" in the consolidated balance sheet as at 31 December 2016 and condensed consolidated balance sheet as at 30 June 2017 and the potential related impact to the consolidated income statement for the year ended 31 December 2016 and the condensed consolidated interim income statement for the six-month period ended 30 June 2017.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying interim financial information. Accordingly, we do not express a conclusion on this interim financial information.

O. PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (http://www.hsinchong.com). The interim report of the Company will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

P. CONTINUED SUSPENSION OF TRADING IN THE SHARES AND DEBT SECURITIES

Trading in the ordinary shares and debt securities of the Company has been suspended since 3 April 2017 and will continue to be suspended until further notice. Conditions of the resumption of trading have been set out in the Company's announcement dated 12 June 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

By Order of the Board of
Hsin Chong Group Holdings Limited
LIN Zhuo Yan
Non-executive Chairman and Non-executive Director

Hong Kong, 31 August 2017

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-executive Chairman and Non-executive Director; Ir Dr Joseph CHOI Kin Hung (Chief Executive Officer), Mr. Wilfred WU Shek Chun (Chief Risk Officer) and Mr. Eric TODD as Executive Directors; Mr. YAN Jie, Mr. CHEN Lei, Mr. CHUI Kwong Kau and Mr. Lui Chun Pong as Non-executive Directors; and Mr. CHENG Sui Sang, Ms. LEE Jai Ying, Mr. George YUEN Kam Ho and Mr. LAI Chik Fan as Independent Non-executive Directors.