



CHEUK NANG (HOLDINGS) LIMITED

(Stock Code: 131)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31/12/2013

CHEUK NANG (HOLDINGS) LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

CHAIRMAN STATEMENT

RESULTS

I take pleasure to announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2013 of our Group is HK\$154,622,000 (2012: HK\$129,740,000) as set out in the unaudited consolidated income statement which has been reviewed by the Company's audit committee, an increment of 19.18% as compared with last year.

The Directors resolved to recommend the payment of an interim dividend of HK5 cents per share (2012: HK4.5 cents) which is 11.1% higher than last year.

SCRIP DIVIDEND

The Company proposes that a scrip dividend election will be offered to shareholders with Hong Kong addresses. Details of the scrip dividend scheme will be announced later. The interim dividend is payable to shareholders whose names appeared on the register of members at the close of business on 28 March 2014.

EXPIRY OF WARRANTS

The Warrants (Stock code: 944) ("the 2014 June Warrants") will expire on 24 June 2014. Up to 25 February 2014, a total number of 7,547,899 units of warrants were exercised (being 84.40% of the total number of warrants issued) and a total number of 7,547,899 shares were issued.

REVIEW OF OPERATIONS

Hong Kong Properties

The volume of primary residential sales became slightly more active in the 4th quarter of 2013 and during the Chinese New Year as the developers drove sales by offering incentives and rebates to prospective buyers. Nevertheless in view of the property owners who are in a strong financial position generally have no incentive to offer large discounts and the US Federal Reserve has announced that the current low interest rate environment would be sustained for a considerable length of time, as a result, the transaction of secondary sales remained low and under pressure.

The progress of our projects is as follows:-

1. *One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*
The superstructure work for Phase II was commenced in April 2013 and it is anticipated that completion will take place by the end of this year. The marketing and sales campaign for the whole development is under planning but still waiting for the approval of presale consent from the Government.
2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*
We are planning to sub-divide some of the apartments into smaller units and renovate the elevation so to suit the market demand.
3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*
The two blocks (Villa I and Villa II) have achieved 80% occupancy with satisfactory rental income.
4. *Cheuk Nang Plaza, 250 Hennessy Road*
The occupancy of the building has increased to 91%.
5. *Cheuk Nang Lookout, 30 Severn Road, The Peak*
Villa Begonia being leased and Villa Crocus is vacant.
6. *New Villa Cecil, 33 Cheung Chau Sai Tai Road*
Occupation Permit for Phase I already issued. The site formation and foundation work of Phase II has been completed. Superstructure tenders has been issued and expect to commence the work soon in due course.

China Properties

In response to the government's objective of ensuring steady growth underpinned by growth in monetary supply and supported by the rising transaction volume and demand, property investment in Shenzhen remain strong. Some mild cooling measures by the authorities in the real estate sector are expected to remain in 2014. Long-term measures such as broadening the national property tax, mandating development of more social housing and undertaking reform of the urban land systems are expected to be promulgated gradually over the longer term.

In Hangzhou, with the sale supply ratio beginning to increase and the transaction volume continue with growth, a relatively stable price may be expected in the property market, although it is possible that some real estate-related policies may well indicate the direction of government intervention in the market.

Cheuk Nang Garden

Longhwa, Shenzhen

The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is expected to operate in 2015. The traveling time from West Kowloon to Longhwa will be shorter to half an hour which has positive impact on our project in Longhwa.

The sale and marketing campaign is under planning and will be commenced in the second half of this year.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The structural frame work of Cheuk Nang • Riverside has been completed and the works for façade, windows, interior decoration, landscape and other construction are in progress. The sale and marketing campaign is under planning and will commence by the end of this year.

Macau Properties

Although the Macau Government has introduced measures to cool down the overheated property market, with the overall limited supply and the increase in construction cost, and the inflow of hot money, it is expected that the property price will continue to increase.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The revised building plans were submitted to the DSSOPT for approval at the end of November 2013. Our local architect in Macau will keep liaise with the DSSOPT to follow up approval progress.

Malaysia Properties

Generally, 2013 was an active year for the residential market despite the slowing Gross Domestic Products growth and the cooling measures announced in October 2013, such as the raising of real property gain tax, removal of the developer interest bearing scheme, stricter bank lending guidelines as well as new price thresholds for foreign ownership may have some impact for the residential market for 2014.

Cecil Chao Centre

Phase I named "Parkview"

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

The serviced apartments have maintained an occupancy rate at 80%.

Phases II to V

Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

The pile caps and the basement work of Phase II, III and IV will be completed in the next two months. Tendering procedure for the structure of podium and the car parks has been commenced.

INVESTMENT IN HONG KONG STOCK MARKET

The market price of our investment in the Hong Kong stocks as at 31 December 2013 is HK\$48,909,000 as compared to HK\$48,506,000 as at 30 June 2013. During the period, a total of HK\$6,033,000 stock was sold and of HK\$1,066,000 was purchased.

OUTLOOK

Looking ahead into 2014, Hong Kong has a healthy fundamental which provide support to the local economy but Hong Kong property price may not be too bullish in the near future due to government policy. At the same time, we are more optimistic about our investment in China for the coming years.

DIRECTORS AND STAFF

I would also like on behalf of the Group to thank all our directors and staff for their dedication during the period.

By order of the Board
CECIL CHAO SZE-TSUNG
Executive Chairman

Hong Kong, 26 February 2014

RESULTS

The unaudited accounts of the Company and its subsidiaries (collectively referred to as the “Group”) which have been reviewed by the Company’s audit committee are listed as follows:

Condensed Consolidated Income Statement

For the six months ended 31 December 2013

		Six months ended 31 December	
		2013	2012
	<i>Note</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Unaudited)</i>
Revenue	3	24,810	23,576
Direct costs		<u>(10,435)</u>	<u>(9,480)</u>
Gross profit		14,375	14,096
Other income	4	2,291	7,335
Change in fair value of investment properties		165,196	118,450
Change in fair value of financial assets and liabilities at fair value through profit or loss		5,431	7,286
Administrative expenses		(14,911)	(13,521)
Other operating expenses		(9,526)	–
Finance costs	5a	<u>(8,105)</u>	<u>(3,251)</u>
Profit before income tax	5	154,751	130,395
Income tax expense	6	<u>(129)</u>	<u>(655)</u>
Profit for the period		<u>154,622</u>	<u>129,740</u>
Profit for the period attributable to:			
Owners of the Company		146,258	116,165
Non-controlling interests		<u>8,364</u>	<u>13,575</u>
		<u>154,622</u>	<u>129,740</u>
Earnings per share for profit attributable to the owners of the Company during the period			
Basic	8	<u>HK\$0.33</u>	<u>HK\$0.27</u>
Diluted		<u>HK\$0.32</u>	<u>HK\$0.27</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2013

	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	154,622	129,740
Other comprehensive income for the period, net of tax		
Item that will be reclassified subsequently to profit or loss:		
Exchange gain on translation of financial statements of foreign operations	9,411	2,562
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	12,507	12,122
Total comprehensive income for the period	176,540	144,424
Total comprehensive income for the period attributable to:		
Owners of the Company	168,176	130,849
Non-controlling interests	8,364	13,575
	176,540	144,424

Condensed Consolidated Statement of Financial Position

As at 31 December 2013

		At 31 December 2013 <i>HK\$'000</i> (Unaudited)	At 30 June 2013 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	4,102,611	3,928,966
Property, plant and equipment		125,409	113,874
Mortgage loans		–	47
Other financial assets		4,742	4,742
Other non-current asset		950	950
Deferred tax assets		5,058	4,437
		<u>4,238,770</u>	<u>4,053,016</u>
Current assets			
Properties under development for sale	9	1,870,758	1,671,322
Completed properties for sale		373,655	374,927
Financial assets at fair value through profit or loss	10	48,909	48,506
Trade and other receivables	11	13,623	10,513
Tax recoverable		138	1,397
Pledged bank deposit		12,976	9,608
Bank balances and cash		98,961	68,579
		<u>2,419,020</u>	<u>2,184,852</u>
Current liabilities			
Bank overdrafts		–	11,990
Trade and other payables	12	27,303	30,359
Derivative financial instruments		483	545
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		–	7
Interest-bearing borrowings		821,502	703,978
Tax payable		675	954
		<u>1,089,953</u>	<u>987,823</u>
Net current assets		<u>1,329,067</u>	<u>1,197,029</u>
Total assets less current liabilities		<u>5,567,837</u>	<u>5,250,045</u>

Condensed Consolidated Statement of Financial Position (Continued)*As at 31 December 2013*

		At 31 December 2013 <i>HK\$'000</i> (Unaudited)	At 30 June 2013 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Interest-bearing borrowings		941,901	811,468
Advances from a director		11,308	29,208
		<hr/> 953,209 <hr/>	<hr/> 840,676 <hr/>
NET ASSETS		4,614,628 <hr/> <hr/>	4,409,369 <hr/> <hr/>
EQUITY			
Share capital	13	45,922	44,716
Reserves		4,433,123	4,237,434
		<hr/> 4,479,045 <hr/>	<hr/> 4,282,150 <hr/>
Equity attributable to the owners of the Company		4,479,045	4,282,150
Non-controlling interests		135,583	127,219
		<hr/> 4,614,628 <hr/> <hr/>	<hr/> 4,409,369 <hr/> <hr/>
Total equity		4,614,628 <hr/> <hr/>	4,409,369 <hr/> <hr/>

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

	Six months ended	
	31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(191,465)	(185,661)
Net cash used in investing activities	(42,831)	(62,736)
Net cash generated from financing activities	276,668	117,150
Net increase/(decrease) in cash and cash equivalents	42,372	(131,247)
Cash and cash equivalents at 1 July	56,589	198,383
Cash and cash equivalents at 31 December	98,961	67,136

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013

	Equity attributable to the owners of the Company							Total equity (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Exchange reserve* (Unaudited) HK\$'000	Property revaluation reserve* (Unaudited) HK\$'000	Special capital reserve* (Unaudited) HK\$'000	Share premium* (Unaudited) HK\$'000	Retained profits* (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	
Balance at 1 July 2012, as reported	42,042	9,885	7,063	320,065	1,229,612	2,546,584	49,187	4,204,438
Prior year adjustment with respect to:								
Adjustment to non-controlling interests	-	-	-	-	-	(43,604)	43,604	-
Balance at 1 July 2012, as restated	42,042	9,885	7,063	320,065	1,229,612	2,502,980	92,791	4,204,438
2012 final dividend approved and paid	-	-	-	-	-	(19,551)	-	(19,551)
Issue of shares:								
Pursuant to scrip dividend scheme	629	-	-	-	17,607	-	-	18,236
By exercise of warrants	1,404	-	-	-	28,087	-	-	29,491
Transaction with owners	2,033	-	-	-	45,694	(19,551)	-	28,176
Profit for the period	-	-	-	-	-	116,165	13,575	129,740
Other comprehensive income for the period								
Exchange gain on translation of financial statements of foreign operations	-	2,562	-	-	-	-	-	2,562
Change in fair value of land and buildings	-	-	12,122	-	-	-	-	12,122
Total comprehensive income for the period	-	2,562	12,122	-	-	116,165	13,575	144,424
Balance at 31 December 2012	<u>44,075</u>	<u>12,447</u>	<u>19,185</u>	<u>320,065</u>	<u>1,275,306</u>	<u>2,599,594</u>	<u>106,366</u>	<u>4,377,038</u>

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 31 December 2013

	Equity attributable to the owners of the Company							Total equity (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Exchange reserve* (Unaudited) HK\$'000	Property revaluation reserve* (Unaudited) HK\$'000	Special capital reserve* (Unaudited) HK\$'000	Share premium* (Unaudited) HK\$'000	Retained profits* (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	
Balance at 1 July 2013	44,716	34,906	15,401	320,065	1,297,257	2,569,805	127,219	4,409,369
2013 final dividend approved and paid	-	-	-	-	-	(22,730)	-	(22,730)
Issue of shares:								
Pursuant to scrip dividend scheme	456	-	-	-	20,990	-	-	21,446
By exercise of warrants	750	-	-	-	29,253	-	-	30,003
Transaction with owners	1,206	-	-	-	50,243	(22,730)	-	28,719
Profit for the period	-	-	-	-	-	146,258	8,364	154,622
Other comprehensive income for the period								
Exchange gain on translation of financial statements of foreign operations	-	9,411	-	-	-	-	-	9,411
Change in fair value of land and buildings	-	-	12,507	-	-	-	-	12,507
Total comprehensive income for the period	-	9,411	12,507	-	-	146,258	8,364	176,540
Balance at 31 December 2013	45,922	44,317	27,908	320,065	1,347,500	2,693,333	135,583	4,614,628

* These reserve accounts comprise the Group's reserves of HK\$4,433,123,000 (as at 31 December 2012: HK\$4,226,597,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements 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 (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 26 February 2014.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, HKAS and Interpretations) as disclosed in note 2 to this condensed consolidated interim financial statements and the accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2013.

2. ADOPTION OF NEW OR AMENDED HKFRSs

Adoption of new/revised HKFRSs – effective 1 July 2013

In the current period, the Group has applied, for the first time the following new and revised HKFRSs issued by HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial periods beginning on 1 July 2013.

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Adoption of new/revised HKFRSs – effective 1 July 2013 (Continued)

The adoption of the new and revised HKFRSs has no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

The Group is principally engaged in property development and investment and provision of property management and related services. Turnover of the Group is the revenue from these activities.

In accordance with the Group's internal financial reporting provided to the Group's most senior executive management who is responsible for allocating resources, assessing performance of the operating segments and making strategic decision, the management considers the business from both business perspective.

From business perspective, the Group organised into the following main business segments:

- Property sales;
- Property rental;
- Estate management; and
- Others – securities trading, investments in derivative financial instruments and debenture

The Group's most senior executive management assesses the performance of the operating segments based on the profit before income tax for the period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

3. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below:

	31 December 2013				
	Property sales	Property rental	Estate management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
From external customers	-	23,489	1,321	-	24,810
From other segments	-	6,756	10,245	-	17,001
Reportable segment revenue	-	30,245	11,566	-	41,811
Reportable segment profit/(loss)	(195)	178,285	1,179	6,658	185,927
Other information:					
Depreciation of property, plant and equipment	21	2,057	295	-	2,373
Increase in fair value of investment properties	-	160,364	-	-	160,364
Increase in fair value of financial assets and liabilities at fair value through profit or loss	-	-	-	5,431	5,431
Reportable segment assets	2,250,985	4,117,002	728	53,651	6,422,366
Reportable segment liabilities	3,209	263,801	94	483	267,587

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

3. SEGMENT INFORMATION (Continued)

	31 December 2012				
	Property sales <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	–	22,541	1,035	–	23,576
From other segments	–	1,256	9,280	–	10,536
Reportable segment revenue	–	23,797	10,315	–	34,112
Reportable segment profit/(loss)	(337)	130,716	184	10,759	141,322
Other information:					
Depreciation of property, plant and equipment	10	1,122	851	–	1,983
Increase in fair value of investment properties	–	118,450	–	–	118,450
Increase in fair value of financial assets and liabilities at fair value through profit or loss	–	–	–	7,286	7,286
Reportable segment assets	1,876,941	3,875,719	1,237	60,385	5,814,282
Reportable segment liabilities	2,763	261,387	103	–	264,253

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

3. SEGMENT INFORMATION (Continued)

The reportable segment profit can be reconciled to the Group's profit before income tax as presented in this interim financial report as follows:

	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Reportable segment profit	185,927	141,322
Unallocated corporate income	1,064	3,862
Unallocated corporate expenses	(24,135)	(11,538)
Finance costs	(8,105)	(3,251)
	<hr/>	<hr/>
Profit before income tax of the Group	154,751	130,395
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	546	2,497
Recovery of bad debts previously written off	–	8
Dividend income from listed equity investments	681	976
Net exchange gain	–	3,180
Interest received	431	423
Sundry income	633	251
	<hr/>	<hr/>
	2,291	7,335
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
(a) Finance costs		
Interest charges on:		
Bank loans and overdrafts wholly repayable		
within five years	22,682	17,176
Advances from a director	359	619
Other incidental borrowing costs	267	1
	<hr/>	<hr/>
Total borrowing costs	23,308	17,796
Less: Interest capitalised into investment		
properties and properties under		
development for sale	(15,203)	(14,545)
	<hr/>	<hr/>
	8,105	3,251
	<hr/> <hr/>	<hr/> <hr/>
(b) Other items		
Depreciation	1,515	2,071
Net exchange loss/(gain)	9,526	(3,180)
Gain on disposal of financial assets at		
fair value through profit or loss	(546)	(2,497)
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	8,296	7,130
Contribution to defined contribution plans	145	149
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	129	321
– Overseas	–	334
	<u>129</u>	<u>655</u>

7. DIVIDENDS

	Six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Final dividend declared and paid of HK5 cents (2012: HK4.5 cents) per ordinary share	22,730	19,551
Proposed interim dividend of HK5 cents (2012: HK4.5 cents) per ordinary share	22,961	19,834
	<u>45,691</u>	<u>39,385</u>

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

7. DIVIDENDS (Continued)

During the six months ended 31 December 2013, scrip dividend alternative was offered to shareholders in respect of 2013 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Dividends:		
Cash	1,284	1,315
Share alternative	21,446	18,236
	<hr/>	<hr/>
	22,730	19,551
	<hr/> <hr/>	<hr/> <hr/>

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	Six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Earnings		
Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	146,258	116,165
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

8. EARNINGS PER SHARE (Continued)

Number of shares

	Six months ended	
	31 December	
	2013	2012
Weighted average number of ordinary shares for the purposes of basic earnings per share	449,346,235	424,981,601
Effect of dilutive potential ordinary shares:		
Warrants	2,787,593	1,074,417
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>452,133,828</u>	<u>426,056,018</u>

9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR SALE

During the six months ended 31 December 2013, capital expenditure on additions of the investment properties was HK\$22,179,000 (30 June 2013: HK\$68,254,000), on properties under development for sale was HK\$172,788,000 (30 June 2013: HK\$352,485,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At	At
	31 December	30 June
	2013	2013
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities listed in Hong Kong	<u>48,909</u>	<u>48,506</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

11. TRADE AND OTHER RECEIVABLES

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Trade receivables	848	905
Prepayments, deposits and other receivables	12,775	9,608
	<hr/>	<hr/>
	13,623	10,513
	<hr/> <hr/>	<hr/> <hr/>

The trade receivables of the Group represent rental and management fee in arrears. The Group maintains a credit policy to minimise any credit risk associated with trade receivables. As at the end of the reporting period the ageing analysis of the trade receivables (which is included in trade and other receivables), based on the debit note or invoice date, is as follows:

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
0 – 30 days	455	725
31 – 60 days	43	120
61 – 90 days	37	29
Over 90 days	313	31
	<hr/>	<hr/>
	848	905
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables are due upon presentation of invoices.

At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis. No impairment has been recognised on receivables through the provision account for the six months ended 31 December 2013 and the year ended 30 June 2013.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

12. TRADE AND OTHER PAYABLES

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Trade payables	484	4,564
Accrued charges and other payables	26,819	25,795
	<hr/>	<hr/>
	27,303	30,359
	<hr/> <hr/>	<hr/> <hr/>

As at the end of the reporting period, the ageing analysis of the trade payables (which is included in trade and other payables), based on the invoice date, is as follows:

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
0 – 30 days	198	3,980
31 – 60 days	55	–
61 – 90 days	55	–
Over 90 days	176	584
	<hr/>	<hr/>
	484	4,564
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

13. SHARE CAPITAL

	Authorised		Issued and fully paid	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
At 1 July 2013	10,000,000,000	1,000,000	447,159,923	44,716
Issue of share pursuant to scrip dividend scheme	-	-	4,563,045	456
Issue of shares by exercise of warrants (<i>note 1</i>)	-	-	7,500,906	750
At 31 December 2013	10,000,000,000	1,000,000	459,223,874	45,922

Note:

- With reference to the Circular issued on 5 June 2013, and the announcement on 15 May 2013, the Company proposed of one bonus warrant for every fifty existing shares of the Company held by the shareholders (“2014 June Warrants”). On 24 June 2013, the Company issued 8,943,198 units of 2014 June Warrants. The holders of 2014 June Warrants are entitled to subscribe at any time during 24 June 2013 to 24 June 2014 for fully paid shares of the Company at an initial subscription price of HK\$4.00 per share (subject to adjustment). During the period, 7,500,906 new shares of HK\$0.10 each per share were issued upon the exercise of 7,500,906 units of 2014 June Warrants. As at 31 December 2013, 1,442,292 units of 2014 June Warrants remained outstanding.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

14. CAPITAL COMMITMENTS

As at the end of the reporting period, capital commitments in respect of properties under development outstanding not provided for in the interim financial statements are as follows:

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Authorised but not contracted for	701,308	758,391
Contracted but not provided for	736,095	786,685
	<hr/> 1,437,403 <hr/> <hr/>	<hr/> 1,545,076 <hr/> <hr/>

15. PLEDGE OF ASSETS

At 31 December 2013, the Group's total bank borrowings of HK\$1,763,403,000 (30 June 2013: HK\$1,515,446,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties for sale, property, plant and equipment and financial assets at fair value through profit or loss with carrying values of HK\$3,366,271,000 (30 June 2013: HK\$2,918,447,000), HK\$1,092,989,000 (30 June 2013: HK\$965,897,000), HK\$202,468,000 (30 June 2013: HK\$111,468,000) and HK\$33,824,000 (30 June 2013: HK\$33,824,000) respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of HK\$12,976,000 (30 June 2013: HK\$9,608,000);
- (iv) mortgages over the shares of certain subsidiaries; and
- (v) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

Details of significant related party transactions which were carried out in the ordinary course of the Group's business are as follows:

	Six months ended	
	31 December	
	2013	2012
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors	5,187	4,862
Interest paid to Dr. Chao Sze-Tsung Cecil (a)	359	619
Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") (b)	7,755	6,530
Rental income received from CCAL (c)	84	–
Commission paid to Szehope Securities Company Limited (d)	16	81
	=====	=====

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

16. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (a) Dr. Chao Sze-Tsung Cecil, a director of the Company, has provided unsecured advances, which have no fixed repayment term to the Group at HIBOR rate plus 3% (30 June 2013: 3%) per annum. At 31 December 2013, the advances from Dr. Chao Sze-Tsung Cecil amounted to HK\$11,308,000 (30 June 2013: HK\$29,208,000). Dr. Chao Sze-Tsung Cecil has confirmed that he will not request repayment of these advances until such time as the Group is in a position to repay.
- (b) CCAL rendered architectural and related services to the Group on terms agreed between both parties. Dr. Chao Sze-Tsung Cecil is the beneficial owner of CCAL.
- (c) Certain properties were leased to CCAL as office premises on terms mutually agreed between both parties.
- (d) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited.

17. FAIR VALUE MEASUREMENT

(i) Financial assets and financial liabilities measured at amortised cost

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

17. FAIR VALUE MEASUREMENT (Continued)

(ii) Financial assets and financial liabilities measured at fair value

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 30 June 2013			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
Listed equity investment in Hong Kong	48,506	–	–	48,506
	<u>48,506</u>	<u>–</u>	<u>–</u>	<u>48,506</u>
Financial liabilities				
<i>Derivative financial instruments</i>				
Interest rate swaps	–	545	–	545
	<u>–</u>	<u>545</u>	<u>–</u>	<u>545</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2013

17. FAIR VALUE MEASUREMENT (Continued)

(ii) Financial assets and financial liabilities measured at fair value (Continued)

	At 31 December 2013			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
Listed equity investment in Hong Kong	48,909	-	-	48,909
Financial liabilities				
<i>Derivative financial instruments</i>				
Interest rate swaps	-	483	-	483

There were no transfers between Levels 1 and 2.

(iii) Valuation techniques and inputs used in fair value measurements categorised within Level 2

The derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs e.g. market currency and interest rates (Level 2).

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Revenue for the period ended 31 December 2013 (the “Period”) amounted to HK\$24,810,000 (Period ended 31 December 2012: HK\$23,576,000), a 5.2% increase over the same period last year. It was mainly due to the increase in turnover from rental income.

For property leasing, the Period recorded an increase of 4.2% in rental income as compared with the corresponding period in 2012, amounting HK\$23,489,000 (31 December 2012: HK\$22,541,000).

Gross profit for the Period amounted to HK\$14,375,000, a 2.0% increase as compared with the same period last year.

Other income recorded a decrease of 68.8% to HK\$2,291,000 when compared with the same period last year (31 December 2012: HK\$7,335,000). The other income for the Period were mainly attributed to gain on disposal of financial assets at fair value through profit or loss and dividend income from listed securities. Gain on fair value adjustment on investment properties amounted to HK\$165,196,000 (31 December 2012: HK\$118,450,000). Administrative expenses increased by 10.3% to HK\$14,911,000 as compared with the same period last year. Other operating expenses for the Period was mainly attributed to net exchange loss on overseas investment (31 December 2012: HK\$Nil). Finance costs recorded an increase of 149.3% to HK\$8,105,000 as compared with the same period last year.

Profit attributable to owners of the Company for the Period was HK\$146,258,000 (31 December 2012: HK\$116,165,000). Basic earnings per share was HK\$0.33 (31 December 2012: HK\$0.27) and fully diluted earning per share was HK\$0.32 (31 December 2012: HK\$0.27).

Final dividend of HK5 cents for the year ended 30 June 2013 (30 June 2012: HK4.5 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2013 final dividend.

The Board resolved an interim dividend of HK5 cents per share for the six months ended 31 December 2013 (31 December 2012: HK4.5 cents). Scrip dividend alternative was offered to shareholders in respect of 31 December 2013 interim dividend.

TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 31 December 2013, the Group's total equity attributable to owners of the Company amounted to approximately HK\$4,479,045,000 (30 June 2013: HK\$4,282,150,000), an increase of HK\$196,895,000 or 4.6% when compared with 30 June 2013. With the total number of ordinary shares in issue of 459,223,874 as at 31 December 2013 (30 June 2013: 447,159,923 shares), the total equity attributable to owners of the Company per share was HK\$9.75, an increase of 1.8% over 30 June 2013: HK\$9.58. The increase in total equity attributable to owners of the Company per share was mainly attributable to increase in fair value of investment properties of the Group during the Period.

During the Period, the Group had bought and sold listed securities investment. Other than the existing projects and those disclosed in the interim report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

SECURITIES INVESTMENT

As at 31 December 2013, the fair value of investment in listed securities was HK\$48,909,000. During the Period, the portfolio was increased by a net disposal of HK\$4,966,000 and gain in fair value of HK\$5,369,000. The listed securities investments of HK\$48,909,000 as at 31 December 2013 representing 0.7% (30 June 2013: 0.8%) of the total assets, which formed part of the Group's cash management activities.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

EQUITY

The number of issued ordinary shares as at 31 December 2013 and 30 June 2013 were 459,223,874 and 447,159,923 respectively.

DEBT AND GEARING

As at 31 December 2013, the Group's bank and other borrowings amounted to HK\$1,774,711,000 (30 June 2013: HK\$1,556,644,000). Cash and bank balances amounted to HK\$111,937,000 (30 June 2013: HK\$78,187,000) and net borrowing amounted to HK\$1,662,774,000 (30 June 2013: HK\$1,478,457,000).

Total debts to equity ratio was 38.5% (30 June 2013: 35.3%) and net debt to equity ratio was 36.0% (30 June 2013: 33.5%).

The increase in the total debt to equity ratio and net debt to equity ratio were mainly due to increase in bank borrowing during the Period resulted from increase in investment in our subsidiaries in China.

At the reporting date, the Group's bank and other borrowings were denominated in Hong Kong dollars, Renminbi and Malaysian Ringgit. Of the Group's total bank and other borrowings HK\$1,774,711,000, 22.8%, 76.2% and 1.0% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively by reference to the repayment schedule of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to HIBOR, PBRC of PRC and BLR of Malaysia. HK\$200,000,000 interest rate swap contract hedged for interest rate subsisted at the end of the Period.

PLEDGE OF ASSETS

As at 31 December 2013, the Group's investment properties, properties for sale, property and equipment and financial assets at fair value through profit or loss with their respective carrying value of HK\$3,366,271,000 (30 June 2013: HK\$2,918,447,000), HK\$1,092,989,000 (30 June 2013: HK\$965,897,000), HK\$202,468,000 (30 June 2013: HK\$111,468,000), HK\$33,824,000 (30 June 2013: HK\$33,824,000) were pledged to secure general banking facilities of the Group.

FINANCIAL AND INTEREST EXPENSES

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$15,203,000 as compared to HK\$14,545,000 for the same period last year. Interest expenses for the Period amounted to HK\$8,105,000, representing 149.3% increase over the interest expenses of HK\$3,251,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in bank borrowing and interest rate during the Period. The average interest rate over the period under review was 2.8% (31 December 2012: 2.6%) which was expressed as a percentage of total interest expenses over the average total borrowing.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2013, the Group employed a total of 53 (as at 31 December 2012: 56) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

HONG KONG

The Government has introducing several policies to cool down the properties market. We consider no material adverse effect to the properties price.

1. One Kowloon Peak

The superstructure work for Phase II was commenced in April 2013 and estimated to be completed by the end of this year. The sale and marketing for the whole project is waiting for the approval of presale consent from the Government.

2. Villa Cecil Phase II

Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in 2014.

3. Villa Cecil Phase III

Occupancy rate is satisfactory. Negotiation for new lease for Block I and II and renewal for expiry lease in Block I is continued.

4. New Villa Cecil

Occupation Permit for Phase I has obtained. Site formation and foundation work for Phase II has been completed. Tendering for superstructure has commenced.

CHINA

The Government of the China continues its controlling policy on property market. We consider the property price will remain stable.

1. Cheuk Nang Garden, Shenzhen

The framework of superstructure of Cheuk Nang Garden is completed. The presale will take place in the second half of 2014.

2. Cheuk Nang • Riverside, Hangzhou

The framework of superstructure has been completed. The presale will take place by the end of 2014.

MACAU

The revised building plan were submitted to the DSSOPT for approval.

MALAYSIA

Phase I named “Parkview” has been operated as service apartment with satisfactory income. The piling caps and basement work of Phases II to IV is expected to be completed in the first half of this year.

PROPERTY VALUATION

A property valuation has been carried out by Directors in respect of the Group's investment properties and certain property, plant and equipment as at 31 December 2013 and that valuation was used in preparing the financial statements for the six months ended 31 December 2013. The Group's investment properties and investment properties under development were valued at HK\$2,471,241,000 and HK\$1,631,370,000 respectively making the total HK\$4,102,611,000 (30 June 2013: investment properties and investment properties under development were valued at HK\$2,422,013,000 and HK\$1,506,953,000 making the total HK\$3,928,966,000). The aggregate increase in fair value of approximately HK\$165,196,000 was credited to the income statement for the Period. The Group land and building held for own use and as a director's quarter carried at fair value were valued at HK\$102,280,000 (30 June 2013: HK\$91,000,000) and HK\$20,468,000 (30 June 2013: HK\$20,468,000) respectively. Changes in fair value of HK\$12,507,000 for the Period were recorded in revaluation reserve. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

POLICY AND OUTLOOK

The current low interest rate environment expected to be sustained for a considerable length of time which provide support to the Hong Kong's economy. The property price may not be too bullish in the near future due to government policy.

Following the recent economic development in Hong Kong and China, the Group expecting our investment will produce good result in the coming years.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK5 cents (2012: HK4.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 28 March 2014. The interim dividend will be paid on 30 April 2014.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 24 March 2014 to 28 March 2014 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the interim dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 21 March 2014.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2013.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. During the period, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the “CGP Code”) based on the principles set out in Appendix 14 to the Listing Rules, save the following:–

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code;
- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

Board Audit Committee

During the period, the Board Audit Committee comprises Mr. Lam Ka Wai, Graham and Dr. Sun Ping Hsu Samson, all being independent non-executive directors of the Company. The Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Company for the six months ended 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted codes of conduct regarding securities transactions by Directors (the “Securities Code”) and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the six months ended 31 December 2013. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Equity	Personal interest	Corporate interests
Chao Sze-Tsung Cecil	Ordinary Shares of HK\$0.1 each	21,520,700 shares	304,148,770 shares
Lee Ding Yue Joseph	Ordinary Shares of HK\$0.1 each	2,118,144 shares	–

Note: The shareholdings disclosed by Dr. Chao Sze-Tsung Cecil under the heading "Corporate Interests" in the above represents the shares held by Yan Yin Company Limited and Szehope Securities Company Limited, substantial shareholders of the Company.

The Company did not grant to the Directors, Chief Executive or their associates any right to subscribe for shares in the Company.

Save as disclosed above, none of the Directors or their associates had any interest or short position in the shares of the Company or its subsidiaries as at 31 December 2013 that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the year was the Company, any of its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 26 February 2014