



# **CHEUK NANG (HOLDINGS) LIMITED**

(Stock Code: 131)

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**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 31/12/2015**

# CHEUK NANG (HOLDINGS) LIMITED

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

### CHAIRMAN STATEMENT

#### RESULTS

I announce that the unaudited consolidated loss after taxation for the six months ended 31 December 2015 of our Group is HK\$9,263,000 (2014: profit HK\$195,966,000) as set out in the unaudited consolidated income statement which has been reviewed by the Company's audit committee.

The reasons for the loss during the period are:–

1. A decline in the amount of positive changes in fair value of the Group's investment properties; and
2. An increase in administration expenses and finance costs and a loss in fair value of financial assets and liabilities at fair value through profit or loss.

In addition to the above, the profit for sale proceeds from Shenzhen Cheuk Nang Garden and One Kowloon Peak Phase 1 in Hong Kong have not been realized in the current period subject to issuance of 規劃及竣工驗收合格證 by Shenzhen authorities and Certificate of Compliance by Hong Kong authorities respectively.

Although the Group experienced a loss during the period, we are optimistic about our future prospect as our development projects in China and Hong Kong will be completed soon to produce meaningful contribution.

The Directors resolved to recommend the payment of an interim dividend of HK5.5 cents per share (2014: HK5.5 cents) which is same as 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 1 April, 2016.

## **REMOVAL OF GROUP'S HEADQUARTER**

Following the sale of Cheuk Nang Plaza in October 2015, the Group's headquarter was relocated to 49/F., Central Plaza, 18 Harbour Road, Hong Kong in December 2015.

## **EXPIRY OF WARRANTS**

The Warrants (Stock code: 1291) ("the 2015 November Warrants") was expired on 10 November 2015. A total number of 9,218,614 units of warrants were exercised (being 99.07% of the total number of warrants issued) and a total number of 9,218,614 shares were issued.

## **PROPOSED NEW BONUS ISSUE OF WARRANTS**

The directors proposed to issue a new bonus warrants to shareholders in the proportion of every 35 existing shares held be allotted one bonus warrant. Holder of one bonus warrant is entitled to exercise the warrant within 12 months after issuance for subscription of one share at an initial subscription price of HK\$4.30 per share.

## **REVIEW OF OPERATIONS**

### **Hong Kong Properties**

The US Federal Reserve raised its interest rate by 0.25% in December 2015, ending the near-zero interest-rate environment since the 2008 financial crisis but it is indicated the further increase of interest rate will be slow as according to U.S. & worldwide financial situation. Despite this, in the Policy Address on 13 January 2016, the Chief Executive repeated his intention to keep the government's cooling property price measures will remain in place and tabled plans for increasing future land supply.

The progress of our projects is as follows:–

1. *Cheuk Nang Plaza, 250 Hennessy Road*

The sale of equity interest in the holding company of Cheuk Nang Plaza to ITC Properties (Hong Kong) Limited was completed on 30 October 2015 and the total consideration received is HK\$787,557,000 after taking into account the adjustment from the audited completion accounts.

2. *One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

Upto the date of this statement, a total of 14 units of Phase 1 are sold which generated a sales proceed of HK\$187,334,000 and 3 units are leased out. The construction of Phase 2 will be completed by end of this year.

3. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

In order to meet with the market demand, Unit 1A of net saleable area of 2,547 square feet and Unit 3A of net saleable area of 2,610 square feet of Villa 1 are selected to be sub-divided into four smaller units with net saleable areas of 935 square feet, 1,354 square feet, 957 square feet and 1,354 square feet respectively.

The renovation of the external façade and the ground floor lobby of Villa 2 was completed and the works for Villa 1 and Villa 3 will be commenced after selecting the contractors by tendering.

4. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*

To meet the market demand, Unit 1A of net saleable area of 2,024 square feet and Unit 1B of net saleable area of 2,012 square feet of Villa I are selected to sub-divide into four smaller units with net saleable area of 1,345 square feet, 503 square feet, 1,346 square feet and 680 square feet respectively.

5. *Cheuk Nang Lookout, 30 Severn Road, The Peak*  
The design of the renovation of Villa Begonia is completed and tendering procedure is under preparation.
6. *New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau*  
Phase 1 has already been completed. The superstructure work of the villas in Phase 2 is almost completed and the main contractor is working on the curtain wall of House No. 30 and surrounding work. It is expected that the construction work will be completed by end of this year.

## **China Properties**

Shenzhen's residential real estate market was active in the fourth quarter of 2015. Stimulus policies introduced by the Central Government throughout the year resulted both transaction volume and average sales price increased during the fourth quarter of 2015. A reduction in the benchmark lending interest rate in October, 2015 as well as discounts of the mortgage rate by several local banks translated into strong demand from first-home buyers, upgraders and investors.

Hangzhou's economy has continued to show good growth despite a national slowdown in growth in China.

### *Cheuk Nang Garden*

#### *Longhwa, Shenzhen*

The construction of the project has basically been completed subject to inspection by the Government and issue of certificate (規劃及竣工驗收合格證). The presale consent was obtained in early December 2015 and the sale was formally launched on 11 December 2015. Upto the date of this statement, a total of 352 units having floor area of 32,579.37 square metres (approximately 350,684 square feet) were sold and the total sales proceed is RMB1,419,916,000 (approximately HK\$1,704,581,000). Out of the 352 units that were sold, formal sale and purchase agreements of 271 units has already been signed.

### *Cheuk Nang • Riverside*

#### *Yue Hang Qu, Hangzhou*

The construction of the project has basically been completed subject the connection of the electricity which will soon be carried out after the Chinese New Year. The inspection of the entire project will be scheduled to be carried out by the relevant authorities for issuance of the certificate (規劃及竣工驗收合格證) in this year.

## **Macau Properties**

The Macau economy has experienced a decrease of 34% of the revenue in the year 2015 following a decrease in gambling revenue for a continuous of nineteen months. The property transaction volume in 2015 has reduced by over 30% and the property price reduced by 10% which give the opportunity for the first-home buyers and end users to look for suitable properties at more reasonable price. Due to lack of new supply of land, the supply of new residential units are limited.

### *Golden Cotai No. 1*

#### *Estrada de Seac Pai Van, Coloane*

The Town Planning Bureau has already issued a new Planta de Condicoes Urbanisticas ("PTU"). Our architect has revised the plans according to the newly issued PTU and the new ante projecto was submitted by our architect on 7 December 2015.

## **Malaysia Properties**

The Malaysian Ringgit has been depreciated as against Hong Kong Dollars. Residential prices in Kuala Lumpur remain relatively steady and transactions are generally less active as compared with last year.

### *Phase I "Parkview"*

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

Renovation for services apartment units has been commenced and to be completed by stages.

### *Phases II to V "Cecil Central Residence"*

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

The main podium is completed upto level 5. In light of the market demand, larger units are expected to be very difficult to market, the building plans will be amended to reduce the size and increase the number of smaller units to suit the current sale market.

## **INVESTMENT IN HONG KONG STOCK MARKET**

The market price of our investment in the Hong Kong stocks as at 31 December 2015 is HK\$28,408,000. During the period, a total of HK\$7,638,000 stock was sold and of HK\$17,037,000 was purchased.

## **OUTLOOK**

Hong Kong property market will remain relatively slow despite the US interest-rate hike may be likely deferred to much longer period. The People's Bank of China introduced new measures on home mortgage may drive the property price and transactions in China. The sale performance of our project in Shenzhen is found satisfactory and will bring good profit to the Group in the near future. Our decision to reduce investment in Hong Kong and increase investment in China is proved to be correct.

## **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.

As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Ms. Chao Gigi (Vice Chairman), Mr. Yung Philip and Ms. Ho Sau Fun, Connie; the Non-Executive Directors are Mr. Chao Howard and Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Dr. Sun Ping Hsu, Samson, Mr. Ting Woo Shou, Kenneth and Mr. Lam Ka Wai, Graham.

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

Hong Kong, 24 February 2016

## 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 2015

		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Note</i>	<b>2015</b>	<b>2014</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>25,148</b>	25,368
Direct costs		<u>(12,310)</u>	<u>(10,119)</u>
<b>Gross profit</b>		<b>12,838</b>	15,249
Other income	4	<b>9,043</b>	4,729
Change in fair value of investment properties		<b>16,935</b>	196,304
Change in fair value of financial assets and liabilities at fair value through profit or loss		<b>(3,129)</b>	5,599
Loss on disposal of fair value of financial assets at fair value through profits or loss		<b>(1,955)</b>	–
Administrative expenses		<b>(25,903)</b>	(16,396)
Finance costs	5a	<u>(12,642)</u>	<u>(9,519)</u>
<b>(Loss)/Profit before income tax</b>	5	<b>(4,813)</b>	195,966
Income tax expense	6	<u>(4,450)</u>	–
<b>(Loss)/Profit for the period</b>		<u><b>(9,263)</b></u>	<u>195,966</u>
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company		<b>(18,467)</b>	188,263
Non-controlling interests		<u><b>9,204</b></u>	<u>7,703</u>
		<u><b>(9,263)</b></u>	<u>195,966</u>
<b>(Loss)/Earnings per share for profit attributable to the owners of the Company during the period</b>			
Basic	8	<u><b>(HK\$0.04)</b></u>	<u>HK\$0.40</u>
Diluted		<u><b>(HK\$0.04)</b></u>	<u>HK\$0.40</u>

Details of dividends payable to owners of the Company are set out in Note 7.

The notes on pages 14 to 37 form part of this interim financial statements.



## Condensed consolidated statement of comprehensive income

As at 31 December 2015

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(Loss)/Profit for the period</b>	<b>(9,263)</b>	195,966
<b>Other comprehensive (expense)/income for the period, net of tax</b>		
Item that will be reclassified subsequently to profit or loss:		
Exchange loss on translation of financial statements of foreign operations	(112,387)	(6,007)
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	265	8,807
Other comprehensive (expense)/income for the period, net of tax	(112,122)	2,800
<b>Total comprehensive (expense)/income for the period</b>	<b>(121,385)</b>	198,766
<b>Total comprehensive (expense)/income for the period attributable to:</b>		
Owners of the Company	(130,589)	191,063
Non-controlling interests	9,204	7,703
	<b>(121,385)</b>	198,766

The notes on pages 14 to 37 form part of this interim financial statements.

## Condensed consolidated statement of financial position

As at 31 December 2015

		At 31 December 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	9	4,023,155	4,043,656
Property, plant and equipment		33,153	32,332
Other financial assets	10	11,802	–
Other non-current asset		950	950
Deferred tax assets		8,713	8,713
		<u>4,077,773</u>	<u>4,085,651</u>
<b>Current assets</b>			
Properties under development for sale	9	2,312,140	2,319,988
Completed properties for sale		371,693	373,645
Financial assets at fair value through profit or loss	11	28,408	14,880
Trade and other receivables	12	48,139	60,669
Tax recoverable		399	375
Bank balances and cash		184,029	88,464
		<u>2,944,808</u>	<u>2,858,021</u>
Assets of disposal group classified as held for sale	15	–	800,968
		<u>2,944,808</u>	<u>3,658,989</u>
<b>Current liabilities</b>			
Trade and other payables	13	326,274	89,635
Derivative financial instruments		126	308
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		2,496	1,067
Interest-bearing borrowings		1,298,718	1,809,474
Tax payable		857	879
		<u>1,868,461</u>	<u>2,141,353</u>
Liabilities of disposal group classified as held for sale	15	–	326,402
		<u>1,868,461</u>	<u>2,467,755</u>
<b>Net current assets</b>		<u>1,076,347</u>	<u>1,191,234</u>
<b>Total assets less current liabilities</b>		<u>5,154,120</u>	<u>5,276,885</u>

**Condensed consolidated statement of financial position (Continued)***As at 31 December 2015*

		At <b>31 December 2015</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 June 2015 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Non-current liabilities</b>			
Interest-bearing borrowings		<b>45,403</b>	26,404
Trade and other payables		–	16,557
Advances from a director		<b>72,441</b>	117,625
Deferred tax liabilities		<b>29,653</b>	26,204
		<hr/> <b>147,497</b> <hr/>	<hr/> 186,790 <hr/>
<b>Net assets</b>		<b>5,006,623</b> <hr/>	5,090,095 <hr/>
<b>EQUITY</b>			
Share capital	14	<b>1,884,458</b>	1,807,547
Reserves		<b>2,991,429</b> <hr/>	3,161,016 <hr/>
<b>Equity attributable to the owners of the Company</b>		<b>4,875,887</b> <hr/>	4,968,563 <hr/>
<b>Non-controlling interests</b>		<b>130,736</b> <hr/>	121,532 <hr/>
<b>Total equity</b>		<b>5,006,623</b> <hr/> <hr/>	5,090,095 <hr/> <hr/>

The notes on pages 14 to 37 form part of this interim financial statements.

## Condensed consolidated statement of cash flows

For the six months ended 31 December 2015

	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	114,036	(103,700)
<b>Investing activities</b>		
Proceeds from disposal of assets of disposal group classified as held for sale	782,363	–
Purchase of held to maturity debts securities	(11,802)	–
Other investing activities	(6,701)	(24,745)
Net cash generated from/(used in) investing activities	763,860	(24,745)
<b>Financing activities</b>		
Repayment of advances from a director	(45,184)	(26,151)
New bank and other loans raised	763,939	–
Repayment of bank loans	(1,571,357)	(90,397)
Other financing activities	78,340	232,214
Net cash (used in)/generated from financing activities	(774,262)	115,666
Net increase/(decrease) in cash and cash equivalents	103,634	(12,779)
<b>Cash and cash equivalents at 1 July</b>	73,122	99,658
Effect of foreign exchange rate changes, on cash held	(836)	(517)
<b>Cash and cash equivalents at 31 December</b>	175,920	86,879

The notes on pages 14 to 37 form part of this interim financial statements.

## Condensed consolidated statement of changes in equity

For the six months ended 31 December 2015

	Equity attributable to the owners of the Company						
	Share capital	Exchange reserve*	Property revaluation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 July 2014	1,741,281	13,373	31,693	2,919,316	4,705,663	125,319	4,830,982
Profit for the period	-	-	-	188,263	188,263	7,703	195,966
Other comprehensive income for the period							
Exchange loss on translation of financial statements of foreign operations	-	(6,007)	-	-	(6,007)	-	(6,007)
Surplus on revaluation of land and building	-	-	8,807	-	8,807	-	8,807
<b>Total comprehensive income/ (expense) for the period</b>	<b>-</b>	<b>(6,007)</b>	<b>8,807</b>	<b>188,263</b>	<b>191,063</b>	<b>7,703</b>	<b>198,766</b>
2014 final dividend approved and paid	-	-	-	(37,245)	(37,245)	-	(37,245)
Issue of share capital:							
Pursuant to scrip dividend scheme	36,155	-	-	-	36,155	-	36,155
By exercise of warrants	1,548	-	-	-	1,548	-	1,548
<b>Balance at 31 December 2014</b>	<b>1,778,984</b>	<b>7,366</b>	<b>40,500</b>	<b>3,070,334</b>	<b>4,897,184</b>	<b>133,022</b>	<b>5,030,206</b>

## Condensed consolidated statement of changes in equity (Continued)

For the six months ended 31 December 2015

	Equity attributable to the owners of the Company						Total equity HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Exchange reserve* HK\$'000 (Unaudited)	Property revaluation reserve* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	
Balance at 1 July 2015	1,807,547	5,209	58,776	3,097,031	4,968,563	121,532	5,090,095
(Loss)/Profit for the period	-	-	-	(18,467)	(18,467)	9,204	(9,263)
Other comprehensive income for the period							
Exchange loss on translation of financial statements of foreign operations	-	(112,387)	-	-	(112,387)	-	(112,387)
Surplus on revaluation of land and building	-	-	265	-	265	-	265
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>(112,387)</b>	<b>265</b>	<b>(18,467)</b>	<b>(130,589)</b>	<b>9,204</b>	<b>(121,385)</b>
2015 final dividend approved and paid	-	-	-	(38,998)	(38,998)	-	(38,998)
Release upon disposal of disposal group	-	-	(39,510)	39,510	-	-	-
Issue of share capital:							
Pursuant to scrip dividend scheme	37,809	-	-	-	37,809	-	37,809
By exercise of warrants	39,102	-	-	-	39,102	-	39,102
<b>Balance at 31 December 2015</b>	<b>1,884,458</b>	<b>(107,178)</b>	<b>19,531</b>	<b>3,079,076</b>	<b>4,875,887</b>	<b>130,736</b>	<b>5,006,623</b>

\* These reserve accounts comprise the Group's reserves of HK\$2,991,429,000 (As at 30 June 2015: HK\$3,161,016,000) in the condensed consolidated statement of financial position.

The notes on pages 14 to 37 form part of this interim financial statements.

## **Notes to the condensed consolidated financial statements**

*For the six months ended 31 December 2015*

### **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 also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 24 February 2016, and have been reviewed by the Company’s Audit Committee.

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 2015, except for the adoption of the 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 2015 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 2015.

The financial information relating to the year ended 30 June 2015 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2015 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s independent auditor has reported on those consolidated financial statements. The independent auditor’s report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied, for the first time the following 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 2015:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the 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 or amended HKFRSs that are 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 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 debentures

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 2015

### 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:

#### For the six months ended 31 December 2015 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	–	23,961	1,187	–	25,148
From other segments	–	1,975	10,335	–	12,310
<b>Reportable segment revenue</b>	<b>–</b>	<b>25,936</b>	<b>11,523</b>	<b>–</b>	<b>37,459</b>
<b>Reportable segment (loss)/profit</b>	<b>(468)</b>	<b>48,075</b>	<b>1,046</b>	<b>(11,403)</b>	<b>37,250</b>
Other information:					
Interest income	464	193	–	1	658
Interest expense	911	3,042	4	8,685	12,642
Depreciation of property, plant and equipment	24	462	110	–	596
Increase in fair value of investment properties	–	16,935	–	–	16,935
Gain on disposal of assets of disposal group	–	7,669	–	–	7,669
Decrease in fair value of financial assets and liabilities at fair value through profit or loss	–	–	–	(3,129)	(3,129)
<b>As at 31 December 2015 (Unaudited)</b>					
<b>Reportable segment assets</b>	<b>2,695,282</b>	<b>3,240,052</b>	<b>1,739</b>	<b>28,408</b>	<b>5,965,481</b>
<b>Reportable segment liabilities</b>	<b>374,904</b>	<b>276,202</b>	<b>108</b>	<b>126</b>	<b>651,340</b>

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2014 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate Management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	–	23,862	1,506	–	25,368
From other segments	–	2,790	10,519	–	13,309
Reportable segment revenue	–	26,652	12,025	–	38,677
Reportable segment (loss)/profit	(480)	211,849	328	9,891	221,588
Other information:					
Interest income	8	96	–	–	104
Interest expense	626	7,324	–	1,569	9,519
Depreciation of property, plant and equipment	13	1,422	–	114	1,549
Increase in fair value of investment properties	–	196,304	–	–	196,304
Increase in fair value of financial assets and liabilities at fair value through profit or loss	–	–	–	5,599	5,599
<b>As at 30 June 2015 (Audited)</b>					
Reportable segment assets	2,748,848	4,053,586	551	14,880	6,817,865
Reportable segment liabilities	52,497	293,496	88	308	346,389

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 3. SEGMENT INFORMATION (Continued)

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

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment profit	37,250	221,588
Unallocated corporate income	971	437
Unallocated corporate expenses	(30,392)	(16,540)
Finance costs	(12,642)	(9,519)
	<hr/>	<hr/>
(Loss)/Profit before income tax of the Group	<b>(4,813)</b>	195,966
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 4. OTHER INCOME, NET

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of financial assets at fair value through profit or loss	–	3,843
Gain on disposal of assets of disposal group classified as held for sale ( <i>Note</i> )	7,669	–
Dividend income from listed equity investments	402	449
Interest received	658	104
Sundry income	95	333
Exchange gain, net	219	–
	<b>9,043</b>	4,729

*Note:* During the period, the Group disposed of Westfountain Co. Limited and Success Well Investment Limited (collectively the “disposal group”) (Note 15). Further details of the disposal of the disposal group are contained in the announcements of the Company dated 15 June 2015, 28 July 2015 and 30 October 2015, and circular of the Company dated 25 September 2015.

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 4. OTHER INCOME, NET (Continued)

Note (Continued):

#### (a) Consideration received

	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Cash consideration received	787,557

#### (b) Net assets of the disposal group disposed of

	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Investment properties	654,490
Property, Plant and equipment	130,510
Trade and other receivables	999
Bank balance and cash	257
Other payables	(4,021)
Amount due to the Group	(457,165)
Deferred tax liabilities	(7,284)
	<hr/>
	317,786

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 4. OTHER INCOME, NET (Continued)

Note (Continued):

#### (c) Net gain on disposal of the disposal group

	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Cash consideration received	787,557
Net assets of the disposal group	(317,786)
Amount due to the Group	(457,165)
Expenses incurred for disposal	(4,937)
	<hr/>
	7,669
	<hr/> <hr/>

#### (d) Net cash in flows from the disposal of the disposal group

	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Cash consideration received	787,557
Bank balance and cash disposed of	(257)
Expenses incurred for disposed	(4,937)
	<hr/>
Net cash inflow in respect of the disposal	782,363
	<hr/> <hr/>

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(a) Finance costs</b>		
Interest charges on:		
Bank loans and overdrafts wholly repayable within five years	<b>22,665</b>	36,652
Advances from a director	<b>4,799</b>	1,033
Other incidental borrowing costs	<b>741</b>	1,122
	<hr/>	<hr/>
Total borrowing costs	<b>28,205</b>	38,807
Less: Interest capitalised into investment properties and properties under development for sale	<b>(15,563)</b>	(29,288)
	<hr/>	<hr/>
	<b>12,642</b>	9,519
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 5. (LOSS)/PROFIT BEFORE INCOME TAX (Continued)

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(b) Other items</b>		
Depreciation	596	1,549
Net exchange loss	–	93
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	1,955	(3,843)
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	9,310	9,322
Contribution to defined contribution plans	126	141
	<u>          </u>	<u>          </u>

### 6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit derived for the six months ended 31 December 2015 (2014: Nil).

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 (2014: Nil).

The taxation charge is made up as follows:

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax	–	–
Deferred taxation	4,450	–
	<u>          </u>	<u>          </u>
	<u>4,450</u>	<u>          </u>



## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 7. DIVIDENDS

	Six months ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK8 cents (2014: HK8 cents) per ordinary share	<b>38,998</b>	37,245
Proposed interim dividend of HK5.5 cents (2014: HK5.5 cents) per ordinary share	<b>27,235</b>	26,031
	<b>66,233</b>	63,276

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.

During the six months ended 31 December 2015, scrip dividend alternative was offered to shareholders in respect of 2015 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividends:		
Cash	<b>1,190</b>	1,090
Share alternative	<b>37,808</b>	36,155
	<b>38,998</b>	37,245

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 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	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
(Loss)/Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	<b>(18,467)</b>	188,263
<b>Number of shares</b>		
	Six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>481,639,067</b>	467,884,603
Effect of dilutive potential ordinary shares:		
Warrants ( <i>Note</i> )	–	782,167
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>481,639,067</b>	468,666,770

*Note:* No adjustment has been made to the basic loss per share amount presented for the six months ended 31 December 2015 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic loss per share amount presented.

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR SALE

During the six months ended 31 December 2015, capital expenditure on additions of the investment properties was HK\$10,421,000 (30 June 2015: HK\$73,351,000), on properties under development for sale was HK\$23,083,000 (30 June 2015: HK\$54,529,000).

The valuations of investment properties and land and buildings held for own use carries at fair value were updated at 31 December 2015 by the Directors using the same valuation techniques as were used by the independent valuer when carrying out the 30 June 2015 valuations. As a result of the update, a net gain of HK\$16,935,000 (30 June 2015: HK\$282,922,000).

### 10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
Held-to-maturity debt securities		
Debenture	<u>11,802</u>	<u>–</u>

The debenture return interest is 6.75% to 8.13% per annum payable semi-annually, and mature in 2020.

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
<b>Financial assets at fair value through profit or loss</b>		
Held for trading		
Equity securities listed in Hong Kong	<b>28,408</b>	14,880

### 12. TRADE AND OTHER RECEIVABLES

	At 31 December 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
Trade receivables	<b>1,807</b>	1,138
Prepayments, deposits and other receivables	<b>46,332</b>	59,531
	<b>48,139</b>	60,669

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 12. TRADE AND OTHER RECEIVABLES (Continued)

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 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
0 – 30 days	532	586
31 – 60 days	363	183
61 – 90 days	131	88
Over 90 days	781	281
	<hr/> <b>1,807</b> <hr/>	<hr/> 1,138 <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 2015 and the year ended 30 June 2015.

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 13. TRADE AND OTHER PAYABLES

	At 31 December 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>		
Trade payables	441	235
Accrued charges and other payables	325,833	89,400
	<u>326,274</u>	<u>89,635</u>
<b>Non-current liabilities</b>		
<b>Other payables</b>		
Other payable	–	16,557
	<u>–</u>	<u>16,557</u>

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 2015 <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
0 – 30 days	141	164
31 – 60 days	84	25
61 – 90 days	73	25
Over 90 days	143	21
	<u>441</u>	<u>235</u>

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 14. SHARE CAPITAL

	Unaudited		Audited	
	As at 31 December 2015		As at 30 June 2015	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Voting ordinary shares:				
At the beginning of the period/year	479,324,448	1,807,547	465,248,269	1,741,281
Issue of shares pursuant to scrip dividend scheme	7,716,109	37,809	13,003,789	61,118
Issue of shares by exercise of warrants ( <i>Note 1</i> )	8,146,224	39,102	1,072,390	5,148
<b>At 31 December 2015</b>				
<b>(Unaudited)</b>	<b>495,186,781</b>	<b>1,884,458</b>	<b>479,324,448</b>	<b>1,807,547</b>

*Note:*

- With reference to the Circular issued on 17 October 2014, and the announcement on 22 October 2014, the Board proposed the Bonus Warrant Issue for the Qualifying Shareholders on the basis of one Warrant for every fifty existing shares of the Company held by the shareholders (“2015 November Warrants”). On 31 October 2014, the Company issued 9,304,965 units of 2015 November Warrants. The holders of 2015 November Warrants are entitled to subscribe at any time during 10 November 2014 to 10 November 2015 for fully paid shares of the Company at an initial subscription price of HK\$4.80 per share.

During the period ended 31 December 2015, 8,146,224 (30 June 2015: 1,072,390) new shares were issued upon the exercise of 8,146,224 (30 June 2015: 1,072,390) units of 2015 November Warrants. The remaining 86,351 units were expired on 10 November 2015.

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 15. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Group has decided to dispose of Westfountain Co. Limited and Success Well Investment Limited (collectively the “disposal group”) during the year ended 30 June 2015.

As at 30 June 2015, the negotiation process with potential buyer is in progress, consequently assets and liabilities are classified as held for sale. The disposal was completed on 30 October 2015 and a gain on disposal of HK\$7,669,000 has been recognized during the period, details of which is set out in Note 4.

The assets and liabilities of the disposal group as at 30 June 2015 were as follows:

#### (a) Assets of disposal group classified as held for sale

	<b>At 30 June 2015</b> <i>HK\$'000</i> (Audited)
Investment properties	654,490
Property, plant and equipment	130,510
Financial assets at fair value through profits or loss	7,435
Trade and other receivables	1,139
Bank balance and cash	7,394
	<hr/>
	800,968
	<hr/> <hr/>



**Notes to the condensed consolidated financial statements (Continued)**

*For the six months ended 31 December 2015*

**15. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)**

**(b) Liabilities of disposal group classified as held for sale**

	At 30 June 2015 <i>HK\$'000</i> (Audited)
Other payables	4,118
Current portion of interest-bearing borrowings	315,000
Deferred tax liabilities	7,284
	<hr/>
	326,402
	<hr/> <hr/>

**16. 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 <b>31 December</b> <b>2015</b> <i>HK\$'000</i> (Unaudited)	At 30 June 2015 <i>HK\$'000</i> (Audited)
Authorised but not contracted for	<b>1,951,877</b>	1,271,852
Contracted but not provided for	<b>454,308</b>	527,046
	<hr/>	<hr/>
	<b>2,406,185</b>	1,798,898
	<hr/> <hr/>	<hr/> <hr/>

## **Notes to the condensed consolidated financial statements (Continued)**

*For the six months ended 31 December 2015*

### **17. PLEDGE OF ASSETS**

At 31 December 2015, the Group's total bank borrowings of HK\$1,335,146,000 (30 June 2015: HK\$1,827,564,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties for sale, property, land and building, financial assets at fair value through profit or loss and assets classified as asset held for sale with carrying values of HK\$3,934,000,000 (30 June 2015: HK\$2,376,100,000), HK\$1,285,268,000 (30 June 2015: HK\$1,316,558,000), HK\$28,100,000 (30 June 2015: HK\$28,100,000), HK\$27,265,000 (30 June 2015: HK\$10,269,000) and Nil (30 June 2015: HK\$785,000,000) 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\$8,109,000 (30 June 2015: HK\$15,342,000);
- (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 2015

### 18. 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	
		2015	2014
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors		5,595	5,539
Interest paid to Dr. Chao Sze-Tsung Cecil Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL")	(a)	4,799	1,033
Rental income received from CCAL	(b)	12,668	1,980
Commission paid to Szehope Securities Company Limited	(c)	56	84
	(d)	57	61
		<b>57</b>	<b>61</b>

(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 1% over prime interest rate (30 June 2015: 1% over prime interest rate) in Hong Kong per annum. At 31 December 2015, the advances from Dr. Chao Sze-Tsung Cecil amounted to HK\$72,440,000 (30 June 2015: HK\$117,625,000). 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.

## **Notes to the condensed consolidated financial statements (Continued)**

*For the six months ended 31 December 2015*

### **19. 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.

#### **(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).

**Notes to the condensed consolidated financial statements (Continued)***For the six months ended 31 December 2015***19. FAIR VALUE MEASUREMENT (Continued)****(ii) Financial assets and financial liabilities measured at fair value (Continued)**

	At 30 June 2015 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
<i>Financial assets at fair value</i>				
<i>through profit or loss</i>				
Listed equity investment				
in Hong Kong	14,880	–	–	14,880
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>				
Interest rate swaps	–	(308)	–	(308)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31 December 2015

### 19. FAIR VALUE MEASUREMENT (Continued)

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

	At 31 December 2015 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Listed equity investment in Hong Kong	28,406	-	-	28,406
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>				
Interest rate swaps	-	(126)	-	(126)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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).

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

Revenue for the six months ended 31 December 2015 (the “Period”) amounted to HK\$25,148,000 (for the six months ended 31 December 2014: HK\$25,368,000), representing a 0.9% decrease as compared with the same period last year. It was mainly due to decrease in rental income and estate management income resulted from disposal of Cheuk Nang Plaza but partly offset by increase in rental income from other investment properties of the Group.

For property leasing, the Period recorded an increase of 0.4% in rental income as compared with the corresponding period in 2014, amounting HK\$23,961,000 (31 December 2014: HK\$23,862,000).

Gross profit for the Period amounted to HK\$12,838,000, a 15.8% decrease as compared with the same period last year.

Other income recorded an increase of 91.2% to HK\$9,043,000 when compared with the same period last year (31 December 2014: HK\$4,729,000). The other income for the Period were mainly attributed to profit on disposal of investment properties, dividend income from listed securities and interest income. Decrease in fair value of financial assets at fair value through profit or loss amounted to HK\$3,129,000 (31 December 2014: gain of HK\$5,599,000). Changes in fair value of investment properties amounted to HK\$16,935,000 (31 December 2014: HK\$196,304,000). Administrative expenses increased by 58.0% to HK\$25,903,000 as compared with the same period last year. Finance costs recorded an increase of 32.8% to HK\$12,642,000 as compared with the same period last year.

Loss attributable to owners of the Company for the Period was HK\$18,467,000 (31 December 2014: Profit HK\$188,263,000). Basic loss per share was HK\$0.04 (31 December 2014: earnings per share HK\$0.40) and fully diluted loss per share was HK\$0.04 (31 December 2014: earnings HK\$0.40).

Final dividend of HK8 cents for the year ended 30 June 2015 (30 June 2014: HK8 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2015 final dividend.

The Board resolved an interim dividend for the six months ended 31 December 2015 of HK5.5 cents (31 December 2014: HK5.5 cents) was proposed. Scrip dividend alternative was offered to shareholders in respect of the interim dividend for the six months ended 31 December 2015.

The directors proposed to issue a new bonus warrants to shareholders in the proportion of every 35 existing shares held be allotted one bonus warrant. Holder of one bonus warrant is entitled to exercise the warrant within 12 months after issuance for subscription of one share at an initial subscription price of HK\$4.30 per share.

### **TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

As at 31 December 2015, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$4,875,887,000 (30 June 2015: HK\$4,968,563,000), a decrease of HK\$92,676,000 or 1.9% when compared with 30 June 2015. With the total number of ordinary shares in issue of 495,186,781 as at 31 December 2015 (30 June 2015: 479,324,448 shares), the total equity attributable to the owners of the Company per share was HK\$9.85, representing a decrease of 5.0% compared to HK\$10.37 as at 30 June 2015. The decrease in total equity attributable to owners of the Company per share was mainly attributable to loss for the Period and increase in number of ordinary shares during the Period.

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.

### **INVESTMENT IN LISTED SECURITIES**

As at 31 December 2015, the fair value of investment in listed securities amounted to HK\$28,408,000 was classified as the financial assets at fair value through profit or loss. During the Period, the portfolio was increased by a net disposal of HK\$9,399,000 and loss on fair value of HK\$3,129,000. The investment in listed securities of 28,408,000 as at 31 December 2015 represented 0.4% (30 June 2015: 0.3%) 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 2015 and 30 June 2015 were 495,186,781 and 479,324,448 respectively.

## **DEBT AND GEARING**

As at 31 December 2015, the Group's bank and other borrowings amounted to HK\$1,416,562,000 (30 June 2015: HK\$2,268,503,000). Cash and bank balances amounted to HK\$184,029,000 (30 June 2015: HK\$95,858,000) and net borrowing amounted to HK\$1,232,533,000 (30 June 2015: HK\$2,172,645,000).

Total debts to equity ratio was 29.1% (30 June 2015: 45.7%) and net debt to equity ratio was 25.3% (30 June 2015: 43.7%).

The decrease in the total debt to equity ratio and the decrease in net debt to equity ratio were mainly due to decrease in bank borrowing during the period resulted from cash received from disposal of Cheuk Nang Plaza but partly offset by increase in cost incurred in development project.

As at 31 December 2015, 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\$1,416,562,000, 47.3%, Nil%, 52.0% and 0.7% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 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 hedging for interest rate subsisted at the end of the Period.

## **PLEDGE OF ASSETS**

As at 31 December 2015, the Group's investment properties, properties for sales, land and building, financial assets at fair value through profit or loss and assets classified as asset held for sale with their respective carrying value of HK\$3,934,000,000 (30 June 2015: HK\$2,376,100,000), HK\$1,285,268,000 (30 June 2015: HK\$1,316,558,000), HK\$28,100,000 (30 June 2015: HK\$28,100,000), HK\$27,265,000 (30 June 2015: HK\$10,269,000) and Nil (30 June 2015: HK\$785,000,000) were pledged to secure general banking facilities of the Group.

## **FINANCE COSTS**

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$15,563,000 as compared to HK\$29,288,000 for the same period last year. Interest expenses for the Period amounted to HK\$12,642,000, representing 32.8% increase over the interest expenses of HK\$9,519,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in interest charges but partly offset by interest capitalized used for development project during the Period. The average interest rate over the Period under review was 3.0% (31 December 2014: 3.7%) 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 2015, the Group employed a total of 46 (as at 31 December 2014: 52) 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**

During the Period, the US Federal Reserve raised its interest rate by 25 points but we expect the further increase of interest rate will be slow. The Government of Hong Kong has intent to keep its policy in cooling property price and the property market slow down.

### **1. One Kowloon Peak**

The sale for 49 units in Phase 1 commenced in February 2015 and up to the reporting date, 14 units of Phase 1 were sold with a total consideration of HK\$187.3 million. The construction of Phase 2 will be completed by the end of this year.

### **2. Villa Cecil Phase II**

Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in 2016. Renovation work has been carried out.

### **3. Villa Cecil Phase III**

Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in 2016.

### **4. Cheuk Nang Lookout**

The renovation work for Villa Begonia is in progress.

### **5. New Villa Cecil**

Superstructure work for Phase 2 anticipated to be completed by the end of 2016.

## **CHINA**

The reduction in interest rate and deposit-reserve ratio has positive effect to the property market.

### **1. Cheuk Nang Garden, Shenzhen**

The construction of the project has basically been completed subject to inspection by the Government. Presale consent for 547 units has been obtained and commenced in December. Up to the reporting date, over 350 units were sold with a total consideration over RMB1.4 billion.

### **2. Cheuk Nang • Riverside, Hangzhou**

The construction work has basically completed subject the connection of the electricity and inspection by the Government.

## **MACAU**

Our architect has revised the plans according to the newly issued Planta de Condicoes Urbanisticas and the new ante projecto was submitted by our architect on 7 December 2015.

## **MALAYSIA**

The unsold units of Phase I, “Parkview”, has been operated as a service apartment with satisfactory income. For Phases II to V named “Cecil Central Residence”, the construction for Ground Floor to the Fifth Floor Carpark Podium completed. The building plans will be amended to reduce the size of the units to suit the current situation.

## **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 2015 and that valuation was used in preparing financial statements for the six months ended 31 December 2015. The Group's investment properties and investment properties under development were valued at HK\$2,165,850,000 and HK\$1,857,305,000 respectively making the total HK\$4,023,155,000 (30 June 2015: investment properties and investment properties under development were valued at HK\$2,826,840,000 and HK\$1,871,306,000 making the total HK\$4,698,146,000). The increase in fair value of approximately HK\$16,935,000 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\$Nil (30 June 2015: HK\$130,510,000) and HK\$28,100,000 (30 June 2015: HK\$28,100,000) respectively. No change in fair value for the Period. 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 property market in Hong Kong anticipated to be slow down for the coming year. The property market for China still remain positive especially in Shenzhen. The sale in Shenzhen will generate good profit to the Group in the near future.

## **INTERIM DIVIDEND**

The Directors resolved to recommend the payment of an interim dividend of HK5.5 cents (2014: HK5.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 1 April 2016. The interim dividend will be paid on 25 April 2016.

## **CLOSURE OF REGISTER**

The register of members of the Company will be closed from 29 March 2016 to 1 April 2016 (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 4:30 p.m. on 24 March 2016.

## **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 2015.

## **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 Corporate Governance Code (the “CG 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 CG 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; and
- (iii) Mr. Lam Ka Wai Graham, the Chairman of Audit Committee, has not attended the Annual General Meeting of the Company held on 25 November 2015 due to sickness.

## **REVIEW OF INTERIM RESULTS**

During the period, the Board Audit Committee comprises Mr. Lam Ka Wai, Graham (independent non-executive director), Dr. Sun Ping Hsu Samson (independent non-executive director) and Mr. Lee Ding Yue, Joseph (non-executive director). 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, 2015. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **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 2015. 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 2015, 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:

<b>Name</b>	<b>Equity</b>	<b>Personal interest</b>	<b>Corporate interests</b>
Chao Sze-Tsung Cecil	Ordinary Shares of	23,197,074 shares	327,681,144 shares
Lee Ding Yue Joseph	Ordinary Shares of	1,765,767 shares	–

*Note:* The shareholdings disclosed by Dr. Cecil Sze-Tsung Chao 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 2015 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, 24 February 2016