



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 519

American Depository Receipt : ADHLY

2017 INTERIM
REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

Mr. Wang Bo (*Chairman*)

Executive Directors

Mr. Yuen Chi Ping (*Chief Executive Officer*)

Ms. Ng Kit Ling

Independent Non-executive Directors

Mr. Lau Chi Keung

Mr. Yu Tat Chi, Michael

Mr. Chiu Kit Man, Calvin

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael (*Chairman*)

Mr. Lau Chi Keung

Mr. Chiu Kit Man, Calvin

REMUNERATION COMMITTEE

Mr. Lau Chi Keung (*Chairman*)

Mr. Chiu Kit Man, Calvin

Mr. Wang Bo

NOMINATION COMMITTEE

Mr. Wang Bo (*Chairman*)

Mr. Lau Chi Keung

Mr. Chiu Kit Man, Calvin

COMPANY SECRETARY

Ms. Ng Kit Ling

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1801, 18th Floor

West Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

17M Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

Bermuda

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited

Hang Seng Bank Limited

Bank of Communications Co., Ltd.

Hong Kong Branch

Nanyang Commercial Bank, Limited

AUDITOR

Mazars CPA Limited

Certified Public Accountants

SOLICITORS

Troutman Sanders

Reed Smith Richards Butler

Baker & McKenzie

STOCK CODE

The Stock Exchange of Hong Kong Limited: 519

American Depository Receipt: ADHLY

WEBSITE

<http://www.applieddev.com>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Notes	Six months ended 31 December	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	2	7,687	1,735
Other revenue	2	2,329	57
Other income	3	–	6,278
Other expenses	4	(154)	–
Net gain on disposal of financial assets at fair value through profit or loss		1,608	–
Net (decrease) increase in fair value of financial assets at fair value through profit or loss		(104)	1,342
Net increase in fair value of investment properties		41,000	49,000
Administrative expenses		(8,382)	(7,594)
Interest income on promissory note receivable from a joint venture		–	5,713
Finance costs	6	–	(824)
Impairment loss on amount due from a joint venture		–	(5,607)
Profit before tax	7	43,984	50,100
Taxation	8	–	–
Profit for the period, attributable to equity holders of the Company		43,984	50,100
Other comprehensive income			
Item that will be reclassified to profit or loss:			
– Release of translation reserve upon disposal of a subsidiary		–	276
Other comprehensive income for the period, net of tax		–	276
Total comprehensive income for the period, attributable to equity holders of the Company		43,984	50,376
Earnings per share	9		
Basic		2.11 HK cents	2.86 HK cents
Diluted		2.11 HK cents	2.86 HK cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		31/12/2016 (Unaudited) HK\$'000	30/06/2016 (Audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	15	481,000	440,000
Property, plant and equipment		33	100
Other assets		–	174
Available-for-sale investments	10	175	175
		481,208	440,449
Current assets			
Financial assets at fair value through profit or loss			
loss	11	45,158	72,809
Other receivables	12	75,019	25,770
Loan to an affiliate company	13	200,000	–
Bank balances and cash		203,781	422,422
		523,958	521,001
Current liabilities			
Other payables		2,673	2,941
		2,673	2,941
Net current assets		521,285	518,060
Total assets less current liabilities		1,002,493	958,509
Capital and reserves			
Share capital	14	20,876	20,876
Share premium and reserves		979,281	935,297
Total equity		1,000,157	956,173
Non-current liabilities			
Deferred tax liabilities		2,336	2,336
		1,002,493	958,509

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Other redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2016 (audited)	20,876	244,786	(396)	-	204,610	-	474,366	956,173
Profit for the period	-	-	-	-	-	-	43,984	43,984
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	43,984	43,984
At 31 December 2016 (unaudited)	20,876	244,786	(396)	-	204,610	-	518,350	1,000,157
At 1 July 2015 (audited)	17,397	139,846	(300)	2,606	204,610	(276)	101,724	477,538
Profit for the period	-	-	-	-	-	-	50,100	50,100
Other comprehensive income	-	-	-	-	-	-	-	-
Item that is reclassified to profit or loss	-	-	-	-	-	-	-	-
- Release of translation reserve upon disposal of a subsidiary	-	-	-	-	-	276	-	276
Total comprehensive income for the period	-	-	-	-	-	276	50,100	50,376
Transactions with equity holders	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-
Issue of shares upon placing of shares	3,479	104,954	-	-	-	-	-	108,433
Change in ownership interest	-	-	-	-	-	-	-	-
Derecognition of other revenue upon disposal of a subsidiary	-	-	-	(2,606)	-	-	2,606	-
At 31 December 2015 (unaudited)	3,479	104,954	-	(2,606)	-	-	2,606	108,433
At 31 December 2015 (unaudited)	20,876	244,800	(300)	-	204,610	-	154,430	636,347



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Six months ended	
	31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash used in operating activities	(6,126)	(10,757)
INVESTING ACTIVITIES		
Interest received	2,329	1,109
Dividend received from financial assets at fair value through profit or loss	234	–
Net cash inflows from disposal of subsidiaries	–	260,361
Loan to an affiliate company	(200,000)	–
Loans to third parties	(266,000)	–
Repayment of loan to a third party	220,000	–
Purchase of financial assets at fair value through profit or loss	(44,886)	(40,171)
Purchase of property, plant and equipment	(15)	(335)
Proceeds from disposal of financial assets at fair value through profit or loss	75,803	–
Proceeds from disposal of other investments	20	–
Net cash (used in) from investing activities	(212,515)	220,964
FINANCING ACTIVITIES		
Interest paid in respect of bank borrowings	–	(824)
Proceeds from issue of shares upon placing of shares	–	108,433
Repayment of bank borrowings	–	(1,757)
Net cash from financing activities	–	105,852
Net (decrease) increase in cash and cash equivalents	(218,641)	316,059
Cash and cash equivalents at the beginning of the period	422,422	27,394
Cash and cash equivalents at the end of the period, represented by bank deposits and bank balances and cash	203,781	343,453



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties, equity securities listed in Hong Kong, which accounted for available-for-sale investments and financial assets at fair value through profit or loss which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2016, except for the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") effective from the current interim period.

The adoption of the new/revised HKFRSs had no significant effect on the results and financial position of the Group for the current or prior accounting periods.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the current period.

Amendments to HKAS 7	<i>Disclosure Initiatives</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
HKFRS 15 and Clarifications to HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 9 (2014)	<i>Financial Instruments</i> ²
HKFRS 16	<i>Lease</i> ³

¹ Effective for annual periods beginning on or after 1 January 2017.

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

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

The directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Company's condensed consolidated interim financial statements.



2. REVENUE

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Gross rental income from investment properties	5,691	608
Interest income from financial assets at fair value through profit or loss	1,762	1,127
Dividend income from financial assets at fair value through profit or loss	234	–
	7,687	1,735
Other revenue		
Bank interest income	1,075	57
Other interest income	1,254	–
	2,329	57
Total revenue	10,016	1,792

3. OTHER INCOME

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of subsidiaries	–	6,120
Sundry income	–	158
	–	6,278

4. OTHER EXPENSES

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss on disposal of other assets	154	–



5. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the directors, for the purposes of allocating resources to segments and assessing their performance. The directors consider resort and property development, property investment and investment holding are the Group's major operating segments.

During the period ended 31 December 2015, the Group disposed of two subsidiaries, Applied Enterprises Limited and Beachside Investments Limited which were engaged in resort and property development business. No revenue had been earned by the resort and property development segment. The property investment segment includes mainly residential and commercial properties that are held for capital appreciation or to earn rentals. The investment holding segment includes holding and trading of investments and other assets. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December 2016 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	–	5,691	1,996	7,687
Other revenue and income	–	–	1,254	1,254
	–	5,691	3,250	8,941
Results				
Segment results	–	46,690	4,452	51,142
Unallocated corporate income				1,075
Unallocated corporate expenses				(8,233)
Profit before tax				43,984
Taxation				–
Profit for the period				43,984

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as of 31 December 2016 and other segment information for the six months ended 31 December 2016 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Assets	518	481,250	319,630	801,398	203,768	1,005,166
Liabilities	-	4,625	375	5,000	9	5,009
Other segment information:						
Additions to property, plant and equipment	-	-	15	15	-	15
Depreciation of property, plant and equipment	-	-	13	13	-	13
Loss on disposal of other assets	-	-	154	154	-	154
Increase in fair value of investment properties	-	41,000	-	41,000	-	41,000
Net decrease in fair value of financial assets at fair value through profit or loss	-	-	104	104	-	104
Net gain on disposal of financial assets at fair value through profit or loss	-	-	1,608	1,608	-	1,608

Segment revenue and results for the six months ended 31 December 2015 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	-	608	1,127	1,735
Other revenue and income	-	116	-	116
	-	724	1,127	1,851
Results				
Segment results	(1,298)	49,251	2,166	50,119
Unallocated corporate income				99
Unallocated corporate expenses				(5,520)
Gain on disposal of subsidiaries	4,067	350		4,417
Gain on disposal of subsidiaries - unallocated				1,703
Interest income on promissory note receivable from a joint venture	5,713			5,713
Finance costs				(824)
Impairment loss on amount due from a joint venture	(5,607)			(5,607)
Profit before tax				50,100
Taxation				-
Profit for the period				50,100



5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as of 31 December 2015 and other segment information for the six months ended 31 December 2015 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Assets	88	301,081	65,637	366,806	343,742	710,548
Liabilities	-	349	417	766	73,435	74,201
Other segment information:						
Additions to property, plant and equipment	-	335	-	335	-	335
Depreciation of property, plant and equipment	-	92	61	153	358	511
Increase in fair value of investment properties	-	49,000	-	49,000	-	49,000
Net increase in fair value of financial assets at fair value through profit or loss	-	-	1,342	1,342	-	1,342

There was no revenue generated from inter-segment transactions for both periods. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration costs, gain on disposal of subsidiaries, finance costs, interest income on promissory note receivable from a joint venture, impairment loss on amount due from a joint venture and income tax expense. Total assets and liabilities represent all assets and liabilities under each segment together with unallocated corporate assets and liabilities other than those that have been eliminated in consolidation.

Geographical information

The Group's operations are principally located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC"). In addition, the Group also held various investments in various overseas markets (the "Overseas").

The following table provides an analysis of the Group's revenue from external customers by geographical market, which interest income from financial assets at fair value through profit or loss is based on the markets of the respective investments:

	Revenue by geographical market	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong	6,229	949
Overseas	1,458	786
	7,687	1,735



5. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amounts of non-current assets by geographical area in which the assets are located:

	Carrying amounts of non-current assets	
	31/12/2016	30/06/2016
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	481,033	440,274

Non-current assets presented above exclude financial instruments. The Group does not have deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

6. FINANCE COSTS

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on borrowings	–	824

7. PROFIT BEFORE TAX

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
Salaries and other benefits	3,533	1,813
Retirement benefit scheme contribution	42	43
Total staff costs	3,575	1,856
Other items		
Depreciation of property, plant and equipment	13	511
Impairment loss on amount due from a joint venture	–	5,607
Net decrease (increase) in fair value of financial assets at fair value through profit or loss	104	(1,342)
Direct operating expenses relating to investment properties that generated rental income	116	127
Direct operating expenses relating to investment properties that did not generate rental income	–	646
Operating lease payments on premises	1,121	1,177



8. TAXATION

Hong Kong Profits Tax had not been provided as the Group's estimated assessable profits for the period ended 31 December 2016 are wholly absorbed by unrelieved tax loss brought forward from previous years. Hong Kong profits tax has not been provided as the Group incurred a loss for tax purposes for the period ended 31 December 2015.

Taxation arising in other jurisdiction, if applicable, are calculated at the rates prevailing in the relevant jurisdictions based on existing legislation, interpretations and practices in respect thereof.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31 December 2016 is based on the profit attributable to equity holders of the Company of HK\$43,984,000 (2015: HK\$50,100,000) and on the weighted average of 2,087,590,739 (2015: 1,752,969,537) ordinary shares of the Company in issue during the period.

The diluted earnings per share is the same as the basic earnings per share for both the six months ended 31 December 2016 and 2015. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2016 and 2015.

10. AVAILABLE-FOR-SALE INVESTMENTS

		31/12/2016 (Unaudited) HK\$'000	30/6/2016 (Audited) HK\$'000
	<i>Note</i>		
Equity securities listed in Hong Kong, at fair value		175	175
Unlisted share, at cost	<i>i</i>	-	-
		175	175

Note:

- (i) At 31 December 2016, the Group held 20% interest in the ordinary share capital of Wealth Guide Global Limited ("Wealth Guide"), a company incorporated in the British Virgin Islands. In the opinion of the Directors, the Group has no significant influence on the investee because no representative was appointed in the board of directors of Wealth Guide by the Group and the equity investments are accounted for as available-for-sale investments measured at cost less impairment loss.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	31/12/2016 (Unaudited) HK\$'000	30/6/2016 (Audited) HK\$'000
At fair value, designated upon initial recognition			
Debt instruments listed overseas	<i>i</i>	30,042	35,661
Debt instruments listed in Hong Kong	<i>ii</i>	15,116	7,891
Equity securities listed in Hong Kong	<i>iii</i>	–	9,470
Equity-linked notes	<i>iv</i>	–	19,787
		45,158	72,809

Notes:

- (i) The Group held debt instruments listed overseas with aggregate principal amount of US\$3,822,000 as at 31 December 2016 (30 June 2016: US\$4,200,000) which bear fixed interest rate of 0% to 7.25% per annum (30 June 2016: 8.50% to 10.125% per annum) and will be due in 2018 to 2021 (30 June 2016: due in 2017 to 2020). The fair value of these debt instruments amounted to HK\$30,042,000 (30 June 2016: HK\$35,661,000) which is determined on the basis of quoted market price at the end of the reporting period.
- (ii) The Group held debt instruments listed in Hong Kong with aggregate principal amount of US\$1,919,000 as at 31 December 2016 (30 June 2016: US\$1,000,000) which bear fixed interest rate of 2.98% to 7.25% per annum (30 June 2016: 8.75% per annum) and will be due in 2018 to 2021 (30 June 2016: due in 2018). The fair value of these debt instruments amounted to HK\$15,116,000 (30 June 2016: HK\$7,891,000) which is determined on the basis of quoted market price at the end of the reporting period.
- (iii) The Group did not hold any equity securities as at 31 December 2016. At 30 June 2016, the fair value of these equity securities listed in Hong Kong amounted to HK\$9,470,000 which was determined on the basis of quoted market price at 30 June 2016.
- (iv) The Group did not hold any equity-linked notes as at 31 December 2016. At 30 June 2016, the Group held equity-linked notes with aggregate principal amount of HK\$20,000,000 which bear fixed interest rate of 6% per annum and was due in August 2016 to September 2016 (subject to early redemption). These equity-linked notes were linked with various securities listed in Hong Kong at various strike prices. The fair value of these equity-linked notes amounted to HK\$19,787,000 which was determined on the basis of quoted market price at 30 June 2016.

The above financial instruments were designated at fair value upon initial recognition as they are managed and evaluated on a fair value basis.



12. OTHER RECEIVABLES

		31/12/2016 (Unaudited) HK\$'000	30/6/2016 (Audited) HK\$'000
	<i>Note</i>		
Deposits, prepayments and other debtors		1,032	1,288
Amount due from security brokers		27,987	24,482
Loan receivable	<i>i</i>	46,000	–
		75,019	25,770

Note:

- (i) Loan granted to a borrower is unsecured, bearing fixed interest rate of 4.7% per annum and repayable on 28 February 2017.

13. LOAN TO AN AFFILIATE COMPANY

The loan to Wealth Guide is unsecured, interest-free and has no fixed repayment term. At the end of the reporting period, no provision had been made for non-repayment of the loan and the carrying amount of the loan approximates its fair value.

14. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 30 June 2016 and 31 December 2016, ordinary shares of HK\$0.01 each	6,000,000,000	60,000
Issued and fully paid:		
At 30 June 2016 and 31 December 2016	2,087,590,739	20,876

15. INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 30 June 2016 (Audited)	440,000
Net increase in fair value	41,000
At 31 December 2016 (Unaudited)	481,000



16. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the condensed consolidated interim financial statements, during the period, the Group had the following transactions with related parties:

Remuneration to key management personnel

Remuneration to key management personnel including amounts paid to the Company's directors are as follow:

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	2,638	1,308
Retirement benefit scheme contributions	15	18
	2,653	1,326

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2016 and 30 June 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

(i) Financial assets measured at fair value

	At 31 December 2016	
	(Unaudited)	
	Total	Level 1
	HK\$'000	HK\$'000
<i>Financial assets at fair value through profit or loss (Note 11):</i>		
Debt instruments listed overseas	30,042	30,042
Debt instruments listed in Hong Kong	15,116	15,116
	45,158	45,158
<i>Available-for-sale investments (Note 10):</i>		
Equity securities listed in Hong Kong	175	175



17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

	At 30 June 2016 (Audited)	
	Total HK\$'000	Level 1 HK\$'000
<i>Financial assets at fair value through profit or loss (Note 11):</i>		
Debt instruments listed overseas	35,661	35,661
Debt instruments listed in Hong Kong	7,891	7,891
Equity securities listed in Hong Kong	9,470	9,470
Equity-linked notes	19,787	19,787
	72,809	72,809
<i>Available-for-sale investments (Note 10):</i>		
Equity securities listed in Hong Kong	175	175

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

(ii) Financial assets and liabilities not measured at fair value

The carrying amounts of the financial assets and liabilities of the Group carried amounts at other than their fair values are not materially different from their fair values as at 31 December 2016 and 30 June 2016.

18. EVENT AFTER THE REPORTING PERIOD

On 23 January 2017, the Company entered into the Capital Injection Agreement with independent third parties, pursuant to which the Company has conditionally agreed to inject capital of RMB150,000,000 into Yancheng Herong Property Development Limited* (鹽城和融房地產開發有限公司) ("Yancheng Herong") by way of cash contribution. Upon completion of the Capital Injection, the Group will hold 75% equity interests in Yancheng Herong and the registered capital of Yancheng Herong will be increased from RMB50,000,000 to RMB200,000,000. The principal activity of Yancheng Herong is property development. Details of the transaction in relation to the capital injection were set out in the Company's announcement dated 23 January 2017.

* For identification purpose only



MANAGEMENT DISCUSSION AND OUTLOOK

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the six months ended 31 December 2016 (31 December 2015: nil).

RESULTS

The Group recorded a profit attributable to equity holders of HK\$43,984,000 for the six months ended 31 December 2016 as compared to HK\$50,100,000 for the corresponding period ended 31 December 2015. The decrease of the Group's result was mainly due to the mitigation of the increase in fair value of the investment properties of HK\$8,000,000.

The Group's revenue also reported a 343% increase for the six months ended 31 December 2016 reaching HK\$7,687,000 (2015: HK\$1,735,000), the increase was mainly contributed by the rental income from the Group's investment properties of HK\$5,691,000 (2015: HK\$608,000).

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding.

Resort and Property Development

With the reference to the Company's announcements dated 23 January 2017, the Company had entered into the capital injection agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into a property development company in PRC by way of cash contribution. Upon completion of the capital injection, the Group will hold as to 75% equity interests of the property development company. The Board believes the transaction will contribute the revenue on properties development to the Group.



MANAGEMENT DISCUSSION AND OUTLOOK

Property Investment

The Group's investment properties contributed a total of rental income of HK\$5,691,000 for the six months ended 31 December 2016 (2015: HK\$608,000), representing an 836% increase. The increase in fair value for the six months ended 31 December 2016 was HK\$41,000,000 (2015: HK\$49,000,000). The Board believes that the Group's investment properties will continue to generate rental income to the Group.

Investment Holding

For the six months ended 31 December 2016, the Group recorded a total of interest income of HK\$1,762,000 (2015: HK\$1,127,000) on all investments in corporate bonds, equity securities and equity-linked notes. Also, the Group had further invested in various corporate bonds with their interest rates ranging from 0% to 7.25% after the disposal of the corporate bonds, equity securities and equity-linked notes recorded net gain on disposal of financial assets at fair value through profit or loss of HK\$1,608,000 in November 2016. The Group recorded net unrealized loss (representing net decrease in fair values of various corporate bonds) of HK\$104,000 (2015: unrealized gain of HK\$1,342,000). At 31 December 2016, the carrying value of the Group's investment portfolio amounted to HK\$45,158,000 (30 June 2016: HK\$72,809,000).

Reference is made to the Company's announcement dated 12 December 2016, the Company subscribed 20% equity interests in an investment holdings company, Wealth Guide Global Limited ("Wealth Guide") for a nominal value of US\$20 together with a shareholder loan of HK\$200,000,000. The principal asset of Wealth Guide is the 49,545,000 domestic shares of Nanjing Sample Technology Co. Ltd. (the "Sample Domestic Shares") as at the date of announcement. The historical investment cost of the Sample Domestic Shares was approximately RMB635 million. The total investment in Wealth Guide including the subscription consideration and the shareholder's loan, approximately HK\$200 million, will be utilized for a diversified investment portfolio of Wealth Guide. The Board believes that the investments in an investment holdings company as well as the shareholder's loan will benefit the Group as a whole.



MANAGEMENT DISCUSSION AND OUTLOOK

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2016, the Group had current assets of HK\$523,958,000 (30 June 2016: HK\$521,001,000) and current liabilities of HK\$2,673,000 (30 June 2016: HK\$2,941,000), representing a strong current ratio of about 196.0 times (30 June 2016: 177.2 times). The Group's total equity as at 31 December 2016 amounted to HK\$1,000,157,000 (30 June 2016: HK\$956,173,000) and the Group had no bank borrowing (30 June 2016: nil).

With the reference to the Company's announcements dated 23 January 2017, the Company had entered into the capital injection agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into a property development company in PRC by way of cash contribution. The payment of the capital injection will be funded by internal resources and/or external borrowings of the Group.

The Board believes that the Group has its sufficient financial resources after the above acquisition.

OUTLOOK

After the acquisition of the office properties in Lippo Centre and China Merchants Tower, the rental income of the Group for the six months ended 31 December 2016 raised to HK\$5,691,000, representing 836% increase as compared to HK\$608,000 for the corresponding period ended 31 December 2015. The Group recorded the increase of fair value of investment properties of HK\$41,000,000 for the six months ended 31 December 2016. At 31 December 2016, the carrying value of the Group's investment properties amounted to HK\$481,000,000 (30 June 2016: HK\$440,000,000). The Board believes the office properties of the Group continue to generate satisfied rental income as well as their appreciation of values.

In addition, the Company subscribed 20% equity interests in an investment holdings company, Wealth Guide Global Limited, for US\$20 and provided a loan of HK\$200,000,000. The Board believes that the investments in an investment holdings company as well as the shareholder's loan will benefit the Group as a whole.



MANAGEMENT DISCUSSION AND OUTLOOK

With the reference to the Company's announcements dated 23 January 2017, the Company had entered into the capital injection agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has conditionally agreed to inject capital of RMB150,000,000 into a property development company in PRC by way of cash contribution. Upon completion of the capital injection, the Group will hold as to 75% equity interests of the property development company. The Board will have confident that the relevant acquisitions of properties development will bring good results and interests to the Group. The Board will continue to seek for good opportunities in investments and projects to the Group.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in resort and property development, property investment and investment holding. The financial position, operations, business and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

Business Risk

The prospect of the Group's property business depend on the performance of the property market in Hong Kong. Especially, the fair value of the Group's investment properties directly links to the performance of the property market in Hong Kong. Any real estate market downturn in the region(s) in which the Group's properties investments or development located, may materially and adversely affect the financial position, operations, businesses and prospects of the Group and may led to fair value loss of the Group's investment properties and properties developments. The real estate markets in which the Group invested are affected by many factors, including but not limited to, changes in the relevant economic, political, social and legal environment and changes in their governmental fiscal and monetary policies, all of which are beyond the control of the Group. The management policy to mitigate this risk is to oversee and diversify the Group's business in terms of asset composition, revenue and profitability.

Market Risk

The Group's property investment and development business is operating in a rather competitive environment as the market rate of similar properties are transparent in property markets in the relevant regions. The transparency of the property market put pressure on the revenue and profitability of the Group's property investment and development business. The management policy to mitigate the risk is to diversify its property investment portfolio (where possible) in terms of property type and location.



MANAGEMENT DISCUSSION AND OUTLOOK

Financial Risk

The Group is exposed to financial risks relating to foreign currency, equity price, credit and liquidity risk in its ordinary course of business. As stated below, the majority of the Group's assets and liabilities were denominated in Hong Kong and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group is exposed to price risk arising from investments holding comprising equity and debt instruments, corporate bonds and equity-linked notes held under financial assets at fair value through profit or loss. Credit risk refers of the risk that debtors will default on their obligations to repay the amounts due to the Group. The Group's credit risk is mainly attributable to loan to an affiliate company, amount due from security brokers included in other receivable and bank balance which the management considers the credit risk are insignificant as the counter-parties have their good credit in the market. The Group has its sufficient level of bank balances and cash to finance the Group operations and expected expansion, therefore, the liquidity risk is minimal.

FOREIGN CURRENCY MANAGEMENT

The majority of the Group's assets and liabilities were denominated in Hong Kong and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group does not engage in foreign exchange speculation activities. It is Group's policy to manage foreign exchange risk through matching foreign exchange income with expenses, and where exposure to foreign exchange is anticipated, appropriate hedging instrument will be used, if necessary.

Reference made to the Company's announcement dated 23 January 2017, the Group will involve properties development in PRC and pay the relevant development costs on the properties development. In any event, the Group has its policy to oversee the foreign risk on the Group's investments time by time.



MANAGEMENT DISCUSSION AND OUTLOOK

CAPITAL COMMITMENTS

The Group had no material capital commitments at 31 December 2016 and 30 June 2016.

PLEDGE OF ASSETS

The Group had no significant assets under pledge at 31 December 2016 and 30 June 2016.

LITIGATION

On 30 August 2016, Ms. Wong Kar Gee, Mimi, a former director who commenced a legal action against the Company claiming for various arrears of salaries and other allowances for a sum of approximately HK\$3 million in May 2011, filed and served her Notice of Acceptance of Sanctioned Payment of HK\$1,200,000 (details shown in note 37 of the Company's annual report 2016) in return of giving up her claims. Save as disclosed above, the Group has no material litigation.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2016, the Group employed a total of 4 (2015: 6) full-time employees and executive directors. The Group's total staff costs including director's emoluments amounted to HK\$3,575,000 for the six months ended 31 December 2016 (2015: HK\$1,856,000). The remuneration packages for directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme for its employees in Hong Kong.



OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register of members required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules were as follows:

Long position in shares of the Company

Name of director	Number of ordinary shares held	
	Beneficial owner	Approximate % of shareholding
Ng Kit Ling	15,000	0.001

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code and which were required to be entered into and kept under the register pursuant to Section 352 of the SFO.



OTHER INFORMATION

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Wang Bo (“Mr. Wang”) entered a service contract as a non-executive director with the Company for 3 years from 14 September 2016. Mr. Wang also has entitled to receive director fee of HK\$40,000 per month.
2. Mr. Yuen Chi Ping (“Mr. Yuen”) entered a service contract as an executive director with the Company for 3 years from 14 September 2016 and also a service contract of the Chief Executive Officer of the Group. Mr. Yuen has been entitled to receive a director fee and salary of the Chief Executive Officer for HK\$20,000 and HK\$60,000 per month respectively.
3. Mr. Lau Chi Keung (“Mr. Lau”) entered a service contract as an independent non-executive director with the Company for 3 years from 14 September 2016. Mr. Lau has been entitled to receive a director fee of HK\$20,000 per month.
4. Mr. Yu Tat Chi, Michael (“Mr. Yu”) entered a service contract as an independent non-executive director with the Company for 3 years from 14 September 2016. Mr. Yu has been entitled to receive a director fee of HK\$20,000 per month.
5. Mr. Chiu Kit Man, Calvin (“Mr. Chiu”) entered a service contract as an independent non-executive director with the Company for 3 years from 14 September 2016. Mr. Chiu has been entitled to receive a director fee of HK\$20,000 per month.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company adopted by the Company on 15 November 2012. Up to 31 December 2016, no share options had been granted since the adoption of the share option scheme.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other associated corporations (within the meaning of Part XV of the SFO) and none of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights during the period.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares or underlying Shares

Name of shareholder	Capacity and Nature of interest	Number of ordinary shares	
		Number of issued shares held	Approximate percentage of the Company's issued share capital of the Company
Rich Unicorn Holdings Limited	Beneficial owner	559,865,959	26.82%
Fullshare Holdings Limited	Interests of Controlled Corporation	559,865,959	26.82%
Magnolia Wealth International Limited	Interests of Controlled Corporation	559,865,959	26.82%
Ji Changqun	Interests of Controlled Corporation	559,865,959	26.82%

Note: These interests were held by Rich Unicorn Holdings Limited, which was a wholly owned subsidiary of Fullshare Holdings Limited ("Fullshare"). Magnolia Wealth International Limited which was wholly owned by Mr. Ji Changqun who holds 9,188,860,454 shares in Fullshare representing 46.58% of the issued share capital of Fullshare. Accordingly, Mr. Ji is interested in 10,126,770,454 shares in Fullshare representing 51.33% of the issued share capital of Fullshare.



OTHER INFORMATION

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

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to adopting the best corporate governance practices and procedures throughout the Group. It strives to enhance transparency and independency of operation through the use of an effective accountability system to enable a healthy and sustainable development of the Company.

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2016, save in respect of code provisions (i) A.4.2; and (ii) A.2.1. Details of the deviations are set out in the paragraphs below:

(i) A.4.2

Under code provision A.4.2 of the CG Code, all directors who are appointed to fill casual vacancies are subject to re-election at the first general meeting after their appointments by the Board, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company (the "Bye-laws") deviates from this code provision in the following aspects:

- (a) Under Bye-law 86(2) of the Bye-laws, amongst other things, the directors have the power to appoint any person as a director, either to fill a casual vacancy on the Board, or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any director so appointed by the Board shall hold office until the next following annual general meeting of the Company.

The reason for retaining this Bye-law is for the purpose of compliance with paragraph 4(2) of Appendix 3 of the Listing Rules. The requirement for directors appointed to fill casual vacancies or as additional members of the Board to retire only at the next annual general meeting, rather than at the next general meeting also allows shareholders to consider re-election of such new directors at the same time as the re-election of the directors who are subject to retirement by rotation, at the same general meeting.



OTHER INFORMATION

- (b) Under Bye-law 87(1) of the Bye-laws, at the annual general meetings of the Company, one third of the directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the independent non-executive directors, shall retire from office by rotation, provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. Notwithstanding the provisions of Bye-law 87(1), in practice, the Chairman of the Board, Mr. Wang Bo will voluntarily submit himself for re-election by shareholders at the annual general meeting of the Company at least once every three years. Accordingly in practice, all directors of the Company (including the independent non-executive directors), are subject to retirement by rotation at least once every three years. All independent non-executive directors are appointed for a term of three years, and are subject to retirement by rotation in accordance with the Bye-laws.

(ii) A.2.1

Ms. Wang Jingyu had been appointed as the Chairlady and the Managing Director of the Company from 15 July 2015 until her resignation on 14 September 2016 and was not in compliance with the requirement of Code Provision A.2.1 of the CG Code. After her resignation, the Company separated the roles of chairman and managing director of the Company.

Apart from the above deviations, the Company has always been committed to good corporate governance principles and practices to safeguard the interests of its shareholders and uphold accountability, transparency and responsibility of the Company.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2016 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 31 December 2016.