



# **CHEUK NANG (HOLDINGS) LIMITED**

(Stock Code: 131)

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**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 31/12/2016**

# **CHEUK NANG (HOLDINGS) LIMITED**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

### **CHAIRMAN STATEMENT**

#### **RESULTS**

I take pleasure to announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2016 of our Group is HK\$404,164,000 (2015: loss HK\$9,263,000) as set out in the unaudited consolidated income statement which has been reviewed by the Company's audit committee.

The Directors resolved the payment of an interim dividend of HK6.5 cents per share (2015: HK5.5 cents) which represent an increase of 18% when compared with 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 29 March 2017.

#### **EXPIRY OF WARRANTS**

The Warrants (warrant code: 1457) ("the 2017 April Warrants") will expire on 21 April 2017. Upto 27 February 2017, a total number of 11,403,100 units of warrants were exercised (being 80.6% of the total number of warrants issued) and a total number of 11,403,100 shares were issued.

#### **REVIEW OF OPERATIONS**

##### **Hong Kong Properties**

The government has announced a new round of measure to cool Hong Kong's private residential market on 4 November 2016. Effective from 5 November 2016, the ad valorem stamp duty on residential property transactions has increased to 15% for all individuals or corporate buyers except local first-time buyers. The new rate has replaced the doubled ad valorem stamp duty currently placed on residential property transactions. Despite of the action by the Hong Kong Government, the housing market remain active and steady.

The progress of our projects is as follows:

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

An extension of the material date to 30 June 2017 for both Phases 1 and 2 was granted by the Architect and informed all the purchasers and the relevant Government department due to inclement weather and the strike or lock-out of workmen at the site. The Group has engaged other contractors to takeover the works of the main contractor and will put our every effort to complete the project soon.

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

The sub-division work of Unit 1A and Unit 3A in Block 1 will be finished soon and marketing will commence thereafter.

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

The intended sub-division of Unit 1A and Unit 1B of Block 1 will be commenced as soon as the tenants have vacated the units.

**4. Cheuk Nang Lookout, 30 Severn Road, The Peak**

Renovation works to upgrade the quality of the villas is still in progress.

**5. New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau**

Construction of Phase 1 has already been completed. The superstructure work of the villas in Phase 2 is prolonged due to the labour disputes of the main contractor. The Group has engaged other contractors to takeover the works of the main contractor and it is expected that the construction work will be completed as soon as possible with our best effort.

## **China Properties**

Shenzhen's residential market has been cooled down in the third quarter of 2016, as a result of restrictions introduced in March and a new round of restrictions announced in the first week of October. The average sales price remain steady.

The supply of Shenzhen's new commodity residential has been increased in the third quarter of 2016 and Longgang has the highest supply volume, followed by Bao'an and Nanshan. The government's attempt to cool the market will cause the development of residential sector more healthy on long run.

### *Cheuk Nang Garden*

#### *Longhwa, Shenzhen*

The inspection of the project by the government was completed and 規劃及竣工驗收合格證 was issued. Some units have been handed over to the purchasers. The remaining unsold units will be upgraded for both sale and rental.

### *Cheuk Nang • Riverside*

#### *Yue Hang Qu, Hangzhou*

Subject to minor revision, the project is ready for completion for occupation inspection and relevant arrangement will be made with the government departments for issuance of all documents.

## **Macau Properties**

There are signs of stabilization in Macau residential prices. The government figures showed that the average overall residential transacted price start to grow in the third quarter of 2016. The rebound in prices was supported by a stabilization in the gross gaming revenue and the opening of the new entertainment complex in September. After 26 months of declines in gaming revenue since June 2014, gaming revenue started to raise slowly since August 2016.

### *Golden Cotai No. 1*

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

The Fire Services Department has approved the submission. The Environmental Bureau has issued some comments on the air ventilation report recently and the Environmental Consultant has submitted some positive replies pending approval.

## **Malaysia Properties**

The housing market is expected to continue to show slow growth in 2017, due to concerns about the economy and the ringgit's weak performance, among others. Developers will face new strategies to attract the sales to suit the lower consumer demand.

The stamp duty rate for properties worth more than RM1 million (US\$225,759) will be raised from 3% to 4% starting 1 January, 2018. As a result this might actually boost the sales of small residential units of below one million ringgit.

### *Phase I "Parkview"*

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

The renovation of the serviced apartments unit by unit in stages is in progress.

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

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

We have reached a new agreement with the Kuala Lumpur government recently that the design of this project will have elements to contribute to the society such as construction of a food court to surrender to the government upon completion. Our architect is in the progress of revising the design to increase the number of units with smaller size apartments and more marketable scheme.

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

The market price of our investment in the Hong Kong stocks as at 31 December 2016 is HK\$15,204,000. During the period, a total of HK\$6,037,000 stock was sold.

## **OUTLOOK**

Although the Hong Kong residential market is facing government's new cooling down strategy, the persistence of low real interest rates and a pool of end-user demand should all help drive the local housing sector.

Recently, the People's Bank of China began to tighten mortgage discounts, starting from Beijing, Guangzhou, Qingdao and Zhuhai, and then extended to regulate more than 20 focused cities. The China government is using the moderate effort to cool down the overheat property market and to regulate the market conduct. In the long run, the residential market will have a more healthy development.

## **DIRECTORS AND STAFF**

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

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

Hong Kong, 27 February 2017

## 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 2016

		<b>Six months ended 31 December</b>	
	<i>Note</i>	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Unaudited)</b>
<b>Revenue</b>	3	<b>1,667,852</b>	25,148
Direct costs		<b>(305,893)</b>	(12,310)
<b>Gross profit</b>		<b>1,361,959</b>	12,838
Other income, net	4	<b>7,108</b>	9,043
Change in fair value of investment properties		<b>(20,958)</b>	16,935
Change in fair value of financial assets and liabilities at fair value through profit or loss		<b>1,272</b>	(3,129)
Gain/(Loss) on disposal of fair value of financial assets at fair value through profits or loss		<b>1,181</b>	(1,955)
Administrative expenses		<b>(66,076)</b>	(25,903)
Finance costs	5a	<b>(11,820)</b>	(12,642)
<b>Profit/(Loss) before income tax</b>	5	<b>1,272,666</b>	(4,813)
Income tax expense	6	<b>(868,502)</b>	(4,450)
<b>Profit/(Loss) for the period</b>		<b>404,164</b>	(9,263)
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<b>405,507</b>	(18,467)
Non-controlling interests		<b>(1,343)</b>	9,204
		<b>404,164</b>	(9,263)
<b>Earnings/(Loss) per share for profit attributable to the owners of the Company during the period</b>	8		
Basic		<b>HK\$0.79</b>	(HK\$0.04)
Diluted		<b>HK\$0.79</b>	(HK\$0.04)

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

## Condensed Consolidated Statement of Comprehensive Income

As at 31 December 2016

	Six months ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Profit/(Loss) for the period</b>	<b>404,164</b>	(9,263)
<b>Other comprehensive (income)/expense 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	(68,085)	(112,387)
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	280	317
Income tax relating to components of other comprehensive income	(46)	(52)
	<u>(67,851)</u>	<u>(112,122)</u>
Other comprehensive expense for the period, net of tax	(67,851)	(112,122)
<b>Total comprehensive income/(expense) for the period</b>	<b><u>336,313</u></b>	<b><u>(121,385)</u></b>
<b>Total comprehensive income/(expense) for the period attributable to:</b>		
Owners of the Company	337,656	(130,589)
Non-controlling interests	(1,343)	9,204
	<u>336,313</u>	<u>(121,385)</u>

## Condensed Consolidated Statement of Financial Position

As at 31 December 2016

		At 31 December 2016 HK\$'000 (Unaudited)	At 30 June 2016 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	9	5,474,468	5,549,315
Property, plant and equipment		33,005	32,834
Other financial assets	10	27,936	27,955
Other non-current asset		950	950
Deferred tax assets		10,610	10,610
		<u>5,546,969</u>	<u>5,621,664</u>
<b>Current assets</b>			
Properties under development for sale	9	1,698,475	1,955,440
Completed properties for sale		372,127	373,815
Financial assets at fair value through profit or loss	11	15,204	19,970
Trade and other receivables	12	71,314	146,726
Tax recoverable		224	415
Bank balances and cash		1,195,599	1,032,612
		<u>3,352,943</u>	<u>3,528,978</u>
<b>Current liabilities</b>			
Bank overdraft		601	3,630
Trade and other payables	13	204,874	1,597,911
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		1,424	1,523
Interest-bearing borrowings		421,082	414,025
Tax payable		808,439	863
		<u>1,676,410</u>	<u>2,257,942</u>
<b>Net current assets</b>		<u>1,676,533</u>	<u>1,271,036</u>
<b>Total assets less current liabilities</b>		<u>7,223,502</u>	<u>6,892,700</u>



		At 31 December 2016 <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Interest-bearing borrowings		650,850	652,119
Trade and other payables	13	7,742	10,681
Advances from a director		118,936	124,959
Deferred tax liabilities		768,014	803,931
		<u>1,545,542</u>	<u>1,591,690</u>
<b>Net assets</b>		<u><b>5,677,960</b></u>	<u><b>5,301,010</b></u>
<b>EQUITY</b>			
Share capital	14	2,007,672	1,910,644
Reserves		3,523,084	3,241,819
		<u>5,530,756</u>	<u>5,152,463</u>
<b>Equity attributable to the owners of the Company</b>		<u><b>5,530,756</b></u>	<u>5,152,463</u>
<b>Non-controlling interests</b>		<u>147,204</u>	<u>148,547</u>
<b>Total equity</b>		<u><b>5,677,960</b></u>	<u><b>5,301,010</b></u>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	231,485	114,036
<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	18,377	(6,701)
Net cash generated from investing activities	18,377	763,860
<b>Financing activities</b>		
Repayment of advances from a director	(6,023)	(45,184)
New bank and other loans raised	129,295	763,939
Repayment of bank loans	(171,954)	(1,571,357)
Other financing activities	40,637	78,340
Net cash used in financing activities	(8,045)	(774,262)
Net increase in cash and cash equivalents	241,817	103,634
<b>Cash and cash equivalents at 1 July</b>	992,224	73,122
Effect of foreign exchange rate changes, on cash held	(46,406)	(836)
<b>Cash and cash equivalents at 31 December</b>	<b>1,187,635</b>	<b>175,920</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	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 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/(expenses) 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	-	-	317	-	317	-	317
Income tax relating to components of other comprehensive income	-	-	(52)	-	(52)	-	(52)
<b>Total comprehensive income/(expense) for the period</b>	<u>-</u>	<u>(112,387)</u>	<u>265</u>	<u>(18,467)</u>	<u>(130,589)</u>	<u>9,204</u>	<u>(121,385)</u>
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>	<u><u>1,884,458</u></u>	<u><u>(107,178)</u></u>	<u><u>19,531</u></u>	<u><u>3,079,076</u></u>	<u><u>4,875,887</u></u>	<u><u>130,736</u></u>	<u><u>5,006,623</u></u>

Equity attributable to the owners of the Company

	Share capital <i>HK\$'000</i> (Unaudited)	Exchange reserve* <i>HK\$'000</i> (Unaudited)	Property revaluation reserve* <i>HK\$'000</i> (Unaudited)	Retained profits* <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Non- controlling interests <i>HK\$'000</i> (Unaudited)	Total equity <i>HK\$'000</i> (Unaudited)
Balance at 1 July 2016	1,910,644	(163,489)	19,652	3,385,656	5,152,463	148,547	5,301,010
Profit/(Loss) for the period	-	-	-	405,507	405,507	(1,343)	404,164
Other comprehensive income/(expenses) for the period							
Exchange loss on translation of financial statements of foreign operations	-	(68,085)	-	-	(68,085)	-	(68,085)
Surplus on revaluation of land and building	-	-	280	-	280	-	280
Income tax relating to components of other comprehensive income	-	-	(46)	-	(46)	-	(46)
<b>Total comprehensive income/(expense) for the period</b>	<u>-</u>	<u>(68,085)</u>	<u>234</u>	<u>405,507</u>	<u>337,656</u>	<u>(1,343)</u>	<u>336,313</u>
2016 final dividend approved and paid	-	-	-	(56,391)	(56,391)	-	(56,391)
Issue of share capital:							
Pursuant to scrip dividend scheme	48,120	-	-	-	48,120	-	48,120
By exercise of warrants	48,908	-	-	-	48,908	-	48,908
<b>Balance at 31 December 2016</b>	<u><u>2,007,672</u></u>	<u><u>(231,574)</u></u>	<u><u>19,886</u></u>	<u><u>3,734,772</u></u>	<u><u>5,530,756</u></u>	<u><u>147,204</u></u>	<u><u>5,677,960</u></u>

\* These reserve accounts comprise the Group's reserves of HK\$3,523,084,000 (As at 30 June 2016: HK\$3,241,819,000) in the condensed consolidated statement of financial position.

## **Notes to the Condensed Consolidated Financial Statements**

*For the six months ended 31 December 2016*

### **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 27 February 2017, 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 2016, 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 2016 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 2016.

The financial information relating to the year ended 30 June 2016 that is included in the interim financial statements for the six months ended 31 December 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements 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 2016 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 auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the 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 2016

### 2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 July 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Presentation of financial statements: Disclosure initiative

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 2016

### 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 2016 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate Management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	1,645,748	21,201	903	-	1,667,852
From other segments	-	420	8,965	-	9,385
<b>Reportable segment revenue</b>	<b>1,645,748</b>	<b>21,621</b>	<b>9,868</b>	<b>-</b>	<b>1,677,237</b>
<b>Reportable segment (loss)/profit</b>	<b>1,346,025</b>	<b>(8,859)</b>	<b>103</b>	<b>2,862</b>	<b>1,340,131</b>
Other information:					
Interest income	3,663	1,712	-	-	5,375
Interest expense	(2,255)	7,117	-	6,958	11,820
Depreciation of property, plant and equipment	7	486	250	-	743
Decrease in fair value of investment properties	-	(20,958)	-	-	(20,958)
Increase in fair value of financial assets and liabilities at fair value through profit or loss	-	-	-	1,272	1,272
<b>As at 31 December 2016 (Unaudited)</b>					
<b>Reportable segment assets</b>	<b>1,700,326</b>	<b>4,543,378</b>	<b>4,489</b>	<b>785,999</b>	<b>7,034,192</b>
<b>Reportable segment liabilities</b>	<b>236,341</b>	<b>282,987</b>	<b>287</b>	<b>-</b>	<b>519,615</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 3. SEGMENT INFORMATION (Continued)

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
Reportable segment revenue	<u>-</u>	<u>25,936</u>	<u>11,522</u>	<u>-</u>	<u>37,548</u>
Reportable segment (loss)/profit	<u>(468)</u>	<u>48,075</u>	<u>1,046</u>	<u>(11,403)</u>	<u>37,250</u>
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 of disposal group	-	7,669	-	-	7,669
Decrease in fair value of financial assets and liabilities at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,129)</u>	<u>(3,129)</u>
<b>As at 30 June 2016 (Audited)</b>					
Reportable segment assets	<u>3,248,879</u>	<u>4,804,706</u>	<u>3,616</u>	<u>19,970</u>	<u>8,077,171</u>
Reportable segment liabilities	<u>1,557,839</u>	<u>287,281</u>	<u>241</u>	<u>-</u>	<u>1,845,361</u>



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 3. SEGMENT INFORMATION (Continued)

The reportable segment profit/(loss) 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	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment profit	1,340,131	37,250
Unallocated corporate income	(7,903)	971
Unallocated corporate expenses	(63,548)	(30,392)
Finance costs	(11,820)	(12,642)
Profit/(Loss) before income tax of the Group	<u>1,272,666</u>	<u>(4,813)</u>

### 4. OTHER INCOME, NET

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of assets of disposal group classified as held for sale	–	7,669
Dividend income from listed equity investments	385	402
Interest received	5,375	658
Sundry income	856	95
Exchange gain, net	492	219
	<u>7,108</u>	<u>9,043</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

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

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(a) Finance costs</b>		
Interest charges on:		
Bank loans and overdrafts	10,575	22,665
Advances from a director	5,321	4,799
Other incidental borrowing costs	4,200	741
	<u>20,096</u>	<u>28,205</u>
Total borrowing costs	20,096	28,205
Less: Interest capitalised into investment properties and properties under development for sale	<u>(8,276)</u>	<u>(15,563)</u>
	<u>11,820</u>	<u>12,642</u>
<b>(b) Other items</b>		
Depreciation	743	596
(Gain)/Loss on disposal of financial assets at fair value through profit or loss	(1,181)	1,955
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,389	9,310
Contribution to defined contribution plans	138	126
	<u>11,527</u>	<u>9,562</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 6. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group has no assessable profit in Hong Kong for the six months ended 31 December 2016 (2015: 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.

The taxation charge is made up as follows:

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	138,586	–
– PRC land appreciation tax	739,775	–
	<u>878,361</u>	<u>–</u>
Deferred taxation	(9,859)	4,450
	<u>868,502</u>	<u>4,450</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 7. DIVIDENDS

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK11 cents (2015: HK8 cents) per ordinary share	56,391	38,998
Proposed interim dividend of HK6.5 cents (2015: HK5.5 cents) per ordinary share	33,913	27,235
	<u>90,304</u>	<u>66,233</u>

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

During the six months ended 31 December 2016, scrip dividend alternative was offered to shareholders in respect of 2016 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends:		
Cash	8,271	1,190
Share alternative	48,120	37,808
	<u>56,391</u>	<u>38,998</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 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	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit/(Loss) attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>405,507</u>	<u>(18,467)</u>
<b>Number of shares</b>		
	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	513,286,988	481,639,067
Effect of dilutive potential ordinary shares:		
Warrants	<u>2,514,844</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>515,801,832</u>	<u>481,639,067</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

During the six months ended 31 December 2016, capital expenditure on additions of the investment properties was HK\$4,724,000 (30 June 2016: HK\$51,984,000), on properties under development for sale was HK\$41,153,000 (30 June 2016: HK\$42,957,000).

The valuations of investment properties and land and buildings held for own use carries at fair value were updated at 31 December 2016 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 30 June 2016 valuations. As a result of the update, a net loss of HK\$20,958,000 (30 June 2016: net gain HK\$1,213,705,000) has been recognised in the income statement.

### 10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At <b>31 December</b> <b>2016</b> <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <i>HK\$'000</i> (Audited)
Held-to-maturity debt securities, at amortised cost		
Debenture, listed outside Hong Kong	<u><b>27,936</b></u>	<u>27,955</u>

The debenture return interest is 6.75% to 8.13% per annum payable semi-annually, and mature in February 2020 to January 2023.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

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

	At 31 December 2016 <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <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	<u>15,204</u>	<u>19,970</u>

### 12. TRADE AND OTHER RECEIVABLES

	At 31 December 2016 <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <i>HK\$'000</i> (Audited)
Trade receivables	1,900	1,164
Prepayments, deposits and other receivables	<u>69,414</u>	<u>145,562</u>
	<u>71,314</u>	<u>146,726</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 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 2016 <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <i>HK\$'000</i> (Audited)
0-30 days	620	703
31-60 days	370	358
61-90 days	221	11
Over 90 days	<u>689</u>	<u>92</u>
	<u><u>1,900</u></u>	<u><u>1,164</u></u>

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 2016 and the year ended 30 June 2016.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 13. TRADE AND OTHER PAYABLES

	At 31 December 2016 <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>		
Trade payables	452	4
Accrued charges and other payables	<u>204,422</u>	<u>1,597,907</u>
	<b><u>204,874</u></b>	<b><u>1,597,911</u></b>
<b>Non-current liabilities</b>		
<b>Other payables</b>		
Other payable	<u>7,742</u>	<u>10,681</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 2016 <i>HK\$'000</i> (Unaudited)	At 30 June 2016 <i>HK\$'000</i> (Audited)
0-30 days	126	4
31-60 days	129	–
61-90 days	73	–
Over 90 days	<u>124</u>	<u>–</u>
	<b><u>452</u></b>	<b><u>4</u></b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 14. SHARE CAPITAL

	Unaudited		Audited	
	As at 31 December 2016		As at 30 June 2016	
	<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	501,276,582	1,910,644	479,324,448	1,807,547
Issue of shares pursuant to scrip dividend scheme	9,079,371	48,120	13,784,591	63,903
Issue of shares by exercise of warrants ( <i>Note</i> )	<u>11,373,924</u>	<u>48,908</u>	<u>8,167,543</u>	<u>39,194</u>
<b>At 31 December 2016 (Unaudited)</b>	<b><u>521,729,877</u></b>	<b><u>2,007,672</u></b>	<b><u>501,276,582</u></b>	<b><u>1,910,644</u></b>

*Note:*

With reference to the Circular issued on 23 March 2016, and the announcement on 6 April 2016, the Board proposes the Bonus Warrants Issue for the Qualifying Shareholders on the basis of one Bonus Warrant for every thirty five existing shares of the Company held by the shareholders (“2017 April Warrants”). On 22 April 2016, the Company issued 14,148,193 units of 2017 April Warrants. The holders of 2017 April Warrants are entitled to subscribe at any time during 22 April 2016 to 22 April 2017 for fully paid shares of the Company at an initial subscription price of HK\$4.30 per share (subject to adjustment). During the period, 11,373,924 (30 June 2016: 21,319) new shares were issued upon exercise of 11,373,924 (30 June 2016: 21,319) units of 2017 April Warrants. The remaining 2,752,950 (30 June 2016: 14,126,874) units will expire on 21 April 2017.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 15. CAPITAL COMMITMENTS

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

	At 31 December 2016 HK\$'000 (Unaudited)	At 30 June 2016 HK\$'000 (Audited)
Authorised but not contracted for	2,657,513	1,817,790
Contracted but not provided for	<u>423,182</u>	<u>907,811</u>
	<u><b>3,080,695</b></u>	<u><b>2,725,601</b></u>

### 16. PLEDGE OF ASSETS

At 31 December 2016, the Group's total bank borrowings of HK\$1,072,533,000 (30 June 2016: HK\$1,069,774,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties under development for sales, completed properties for sale, land and building, financial assets at fair value through profit or loss with carrying values of HK\$2,896,288,000 (30 June 2016: HK\$2,924,121,000), HK\$132,890,000 (30 June 2016: HK\$122,022,000), HK\$280,435,000 (30 June 2016: HK\$281,812,000), HK\$28,000,000 (30 June 2016: HK\$28,000,000), HK\$9,169,000 (30 June 2016: HK\$7,246,000) 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\$7,964,000 (30 June 2016: HK\$3,354,000);
- (iv) mortgages over the shares of certain subsidiaries;
- (v) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties; and
- (vi) held-to-maturity investments of HK\$6,543,000 (30 June 2016: HK\$6,547,000).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 17. 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	
		2016	2015
	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		6,226	5,595
Interest paid to Dr. Chao Sze Tsung Cecil Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL")	(a)	5,321	4,799
Rental income received from CCAL	(c)	-	56
Commission paid to Szehope Securities Company Limited	(d)	<u>18</u>	<u>57</u>

Note:

- (a) Dr. Chao Sze Tsung Cecil has provided unsecured advances, which is repayable on demand, to the Group at 1% over prime interest rate in Hong Kong per annum (30 June 2016: 1% over prime interest rate in Hong Kong per annum). At 31 December 2016, the advances from Dr. Chao Sze Tsung Cecil amounted to HK\$118,936,000 (2015: HK\$72,440,000). 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. These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Reports of the directors.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

### 17. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (c) Certain properties were leased to CCAL during the period ended 31 December 2016 and 2015 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.
- (e) Other than the above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 18. 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 2016

### 18. FAIR VALUE MEASUREMENT (Continued)

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

	At 30 June 2016 (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 through profit or loss</i>				
Listed equity securities				
held for trading	19,970	–	–	19,970

	At 31 December 2016 (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	15,204	–	–	15,204

There were no transfers between Levels 1 and 2.

#### (iii) Valuation techniques and inputs used in fair value measurements cauterised 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

### FINANCIAL REVIEW

#### Financial Highlights

Revenue for the six months ended 31 December 2016 (the “Period”) amounted to HK\$1,667,852,000 (for the six months ended 31 December 2015: HK\$25,148,000), a 6,532.2% increase as compared with the same period last year. It was mainly due to the completion of the sale of 362 units in Shenzhen during the period which accounted for HK\$1,645,748,000 revenue for the Period.

For property leasing, the Period recorded a decrease of 11.5% in rental income as compared with the corresponding year in 2015, amounting HK\$21,201,000 (31 December 2015: HK\$23,961,000) which was resulted from disposal of Cheuk Nang Plaza in October 2015 but partly offset by rental income generated from One Kowloon Peak.

Gross profit for the Period amounted to HK\$1,361,959,000, a 10,508.8% increase as compared with same period last year.

Other income recorded a decrease of 21.4% to HK\$7,108,000 when compared with last year (31 December 2015: HK\$9,043,000). The other income for the Period were mainly attributed to dividend income and interest income. Increase in fair value of financial assets at fair value through profit or loss amounted to HK\$1,272,000 (31 December 2015: loss HK\$3,129,000). Decrease in fair value of investment properties amounted to HK\$20,958,000 (31 December 2015: Increase in fair value of HK\$16,935,000). Administrative expenses increased by 155.1% to HK\$66,076,000 as compared with the same period last year. Finance costs decreased by 6.5% to HK\$11,820,000 as compared with the same period last year. The decrease was mainly due to decrease in interest rate and borrowing during period. Income tax expenses increased to HK\$868,502,000 (31 December 2015: HK\$4,450,000) which was mainly due to land appreciation tax and profit tax in China arisen from sale of properties in Shenzhen.

Profit attributable to owners of the Company for the Period was HK\$405,507,000 (31 December 2015: loss HK\$18,467,000). Basic earnings per share was HK\$0.79 (31 December 2015: loss per share HK\$0.04) and fully diluted earnings per share was HK\$0.79 (31 December 2015: loss per share HK\$0.04).

Final dividend of HK11 cents for the year ended 30 June 2016 (30 June 2015: HK8 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2016 final dividend.

The Board resolved an interim dividend for the six months ended 31 December 2016 of HK6.5 cents (31 December 2015: HK5.5 cents). Scrip dividend alternative was offered to shareholders in respect of the interim dividend for the six months ended 31 December 2016.

### **Total Equity attributable to the owners of the Company**

As at 31 December 2016, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$5,530,756,000 (30 June 2016: HK\$5,152,463,000), an increase of HK\$378,293,000 or 7.3% when compared with 30 June 2016. With the total number of ordinary shares in issue of 521,729,877 as at 31 December 2016 (30 June 2016: 501,276,582 shares), the total equity attributable to the owners of the Company per share was HK\$10.60, representing an increase of 3.1% compared to HK\$10.28 as at 30 June 2016. The increase in total equity attributable to owners of the Company per share was mainly attributable to profit attributable to owners of the company but partly offset by increase in number of ordinary shares during the Period.

Other than the existing projects and those disclosed in the annual report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

### **Investment in Financial Assets at Fair Value through Profit or Loss**

As at 31 December 2016, the fair value of investment in listed securities amounted to HK\$15,204,000 was classified as the financial assets at fair value through profit or loss. During the Period, the portfolio was decreased by a net disposal of HK\$6,038,000 and gain on fair value of HK\$1,272,000. The investment in listed securities as at 31 December 2016 represented 0.2% (30 June 2016: 0.2%) of the total assets, which formed part of the Group's cash management activities.

### **Equity**

The number of issued ordinary shares as at 31 December 2016 and 30 June 2016 were 521,729,877 and 501,276,582 respectively.

### **Debt and Gearing**

As at 31 December 2016, the Group's bank and other borrowings amounted to HK\$1,191,469,000 (30 June 2016: HK\$1,194,733,000). Cash and bank balances amounted to HK\$1,195,599,000 (30 June 2016: HK\$1,032,612,000) and net cash and bank balance amounted to HK\$4,130,000 (30 June 2016: net borrowing HK\$162,121,000).



Total debts to equity ratio was 21.5% (30 June 2016: 23.2%) and no net debt to equity ratio for the period (30 June 2016: 3.1%).

The decrease in the total debt to equity ratio and net debt to equity ratio were mainly due to decrease in bank borrowing during the period and increase in cash and bank balances resulted from sale deposits received from sale of properties held for sale in Hong Kong and Shenzhen.

As at 31 December 2016, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,191,469,000, 35%, 53%, 12% were repayable within 1 year, 1 to 2 years, and 2 to 5 years respectively by reference to the repayment schedule of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to HIBOR.

### **Pledge of Assets**

As at 31 December 2016, the Group's investment properties, properties under development for sales, completed properties for sale, land and building and financial assets at fair value through profit or loss with their respective carrying value of HK\$2,896,288,000 (30 June 2016: HK\$2,924,121,000), HK\$133,890,000 (30 June 2016: HK\$122,022,000), HK\$280,435,000 (30 June 2016: HK\$281,812,000), HK\$28,000,000 (30 June 2016: HK\$28,000,000) and HK\$9,169,000 (30 June 2016: HK\$7,246,000) 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\$8,276,000 as compared to HK\$15,563,000 for the same period last year. Interest expenses for the Period amounted to HK\$11,820,000, representing 6.5% decrease over the interest expenses of HK\$12,642,000 recorded for the same period last year. The decrease in interest expense was mainly due to decrease in interest charged on bank and other borrowings project during the Period. The average interest rate over the period under review was 2.7% (31 December 2015: 3.0%) which was expressed as a percentage of total interest expenses over the average total borrowing.

## **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 2016 and that valuation was used in preparing financial statements for the six months ended 31 December 2016. The Group's investment properties and investment properties under development were valued at HK\$3,728,304,000 and HK\$1,746,164,000 respectively making the total HK\$5,474,468,000 (30 June 2016: investment properties and investment properties under development were valued at HK\$3,770,531,000 and HK\$1,778,784,000 making the total HK\$5,549,315,000). The decrease in fair value of approximately HK\$20,958,000 was debited to the income statement for the Period. The Group land and building held as a director's quarter carried at fair value were valued at HK\$28,000,000 (30 June 2016: HK\$28,000,000). No change in fair value for the Period were recorded. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

## **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.

## **REMUNERATION POLICIES AND SHARE OPTION SCHEME**

As at 31 December 2016, the Group employed a total of 48 (as at 31 December 2015: 46) 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.

## **FINANCIAL KEY PERFORMANCE INDICATOR**

### **Profit Attributable to Owners of the Company and Earnings per Share**

The Company uses the profit attributable to owners of the company and earnings per share as the Group's as the financial key performance indicator. The Company's aim to increase the Group's profit attributable to owners of the company and earnings per share. We compare the profit against the previous period as a measure of the performance. Detail refer to Financial Highlight section.

## **INTERNAL CONTROL**

We have performed periodic review on the internal control of the Group. Current year review will be completed by the end of the financial year.

## **ENVIRONMENTAL POLICIES AND COMPLIANCE**

Our environmental policy is to meet all the environmental legislations which relate to our operation.

A review on the performance on our environmental policy has been carried out and will be completed by the end of the financial year.

## **KEY RELATIONSHIPS**

### **Relationships with vendors**

We have established relationships with numbers of suppliers for the construction and renovation work in Hong Kong, PRC and Malaysia. Other than one supplier relating to our construction work which recently has financial problem, the work originally carried by the contractor has been reassigned to other contractor. Other than this, there is no major events affecting our relationships with our suppliers.

### **Relationships with customers**

Our sale and leasing team maintain good relationship with our customers especially our tenants.

### **Relationships with employees**

During the Period, we are not aware of any major event affecting our relationships with our employees.

## **BUSINESS REVIEW**

### **Hong Kong**

The overall residential market was active and steady in the second half of 2016 despite the new stamp duty rate since November 2016.

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

The completion date for the project was extended to 30 June 2017 and the Group has put additional effort and expect to complete the project soon.

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

Two more units were selected to sub-divide into four smaller units in order to meet the current leasing market. The construction works will be completed soon. Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in first half of 2017.

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

Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in first half of 2017.

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

The renovation work is in progress.

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

Due to labour disputes of the main contractor, the superstructure work for Phase 2 was delayed. The Group has taken up additional effort to complete the construction work as soon as possible.

## **China**

The PRC government has announced several policy to cool down the residential market which may cause the development of residential market more healthy on long run.

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

The inspection of the project by the government was completed and 竣工驗收合格證 was issued. Some units have been handed over to the purchasers. The remaining unsold units will be upgraded for sale and rental.

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

The construction of the project has almost been completed. The inspection for completion of the entire project will be scheduled to be carried out by the relevant authorities for issuance of the certificate (竣工驗收合格證).

## **Macau**

The Fire Services Department has approved the submission. The Environmental Bureau has issued some comments on the air ventilation report recently and the Environment Consultant has submitted some positive replies pending approval.

## **Malaysia**

Unsold units of Phase I, “Parkview”, has been operated as service apartment with satisfactory income. For Phase II named “Cecil Central Residence”, new agreement with the Kuala Lumpur government has been reached recently. Our architect is in the progress of revising the design to meet with the new agreement and increase the number of units with smaller size apartments.

## **POLICY AND OUTLOOK**

Although the Hong Kong residential market is facing government's new cooling down strategy, the persistence of low real interest rates and a pool of end-user demand should all help drive the local housing sector.

Recently the People's Bank of China began to tighten mortgage discounts, starting from Beijing, Guangzhou, Qingdao and Zhuhai, and then extended to regulate more than 20 focused cities. The China government is using the moderate effort to cool down the overheat property market and to regulate the market conduct. In the long run, the residential market will have a more healthy development.

## **INTERIM DIVIDEND**

The Directors resolved the payment of an interim dividend of HK6.5 cents (2015: HK5.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 29 March 2017. The interim dividend will be paid on 26 April 2017.

## **CLOSURE OF REGISTER**

The register of members of the Company will be closed from 23 March 2017 to 29 March 2017 (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 22 March 2017.

## **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 2016.

## **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.

### **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, 2016. 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 2016. 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 2016, 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	24,656,907 shares	349,063,818 shares
Lee Ding Yue Joseph	Ordinary Shares of	1,816,217 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 2016 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, 27 February 2017