

DYNAMIC HOLDINGS LIMITED 達力集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 29

INTERIM REPORT 2016-2017





www.dynamic.hk



This interim report is printed on environmentally friendly paper.

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CORPORATE AND INVESTOR INFORMATION

DIRECTORS

Executive Directors

TAN Harry Chua, *Chairman*

CHAN Wing Kit, Frank,

Chief Executive Officer

TAN Lucio Jr. Khao

TAN Michael Gonzales

PASCUAL Ramon Sy

CHUA Joseph Tan

CHIU Siu Hung, Allan

Independent Non-executive Directors

CHONG Kim Chan, Kenneth

SY Robin Chua

FOK Kam Chu, John

GO Patrick Lim

TAN Kenway Hao

REMUNERATION COMMITTEE

CHONG Kim Chan, Kenneth, *Chairman*

TAN Harry Chua

CHAN Wing Kit, Frank

SY Robin Chua

FOK Kam Chu, John

COMPANY SECRETARY

WONG Oi Yee, Polly

AUDIT COMMITTEE

CHONG Kim Chan, Kenneth, *Chairman*

SY Robin Chua

FOK Kam Chu, John

GO Patrick Lim

NOMINATION COMMITTEE

TAN Harry Chua, *Chairman*

CHAN Wing Kit, Frank

CHONG Kim Chan, Kenneth

SY Robin Chua

FOK Kam Chu, John

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Deacons

Mayer Brown JSM

Appleby

Jingtian & Gongcheng

PRINCIPAL BANKERS

Hang Seng Bank Limited

Industrial and Commercial Bank of China
Limited

China Merchants Bank Co., Ltd.

Bank of China Limited

Bank of Communications Co., Ltd.

Corporate and Investor Information *(Continued)***STOCK CODE**

029

SHARE REGISTRAR*Principal Share Registrar*

MUFG Fund Services (Bermuda)
Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITES

<http://www.dynamic.hk>
<http://www.irasia.com/listco/hk/dynamic>

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

**PRINCIPAL PLACE OF
BUSINESS**

17th Floor, Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

**REPRESENTATIVE OFFICE IN
SHENZHEN**

Unit 1321, Shenzhen Kerry Centre
2008 Renminnan Road, Shenzhen
The People's Republic of China

FINANCIAL CALENDAR

| | |
|---|--|
| Last Registration Date for Interim Dividend | 7 April 2017 |
| Book-close Dates | 10 April 2017–13 April 2017 (both days inclusive) |
| Record Date for Interim Dividend | 13 April 2017 |
| Payment of Interim Dividend | 28 April 2017 |

MANAGEMENT STATEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Dynamic Holdings Limited (the “**Company**”) hereby present their management statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2016, which have been reviewed by external auditor of the Company, Deloitte Touche Tohmatsu.

INTERIM RESULTS

For the six months ended 31 December 2016, the Group reported a total revenue of HK\$51,121,000 (2015: HK\$50,840,000) and gross profit of HK\$40,369,000 (2015: HK\$40,396,000). These results were principally attributable to the rental income of investment properties of the Group denominated in renminbi (“**RMB**”), with gross profit margin of 79% (2015: 79%).

During the period under review, the Group accounted for other income of HK\$2,898,000 (2015: HK\$703,000), which was mainly arisen from imputed interest income and net exchange loss of HK\$6,409,000 (2015: HK\$9,805,000). The net exchange loss was due to the fluctuation of RMB as devalued against Hong Kong dollar (“**HK\$**”) at about 4.7% (2015: 6.2%) in the period. The Group recognised an aggregate increase of HK\$42,974,000 (2015: HK\$47,593,000) in the fair value of its investment properties. Due to reduction of related enterprise income tax and deferred tax, the taxation for the period was HK\$7,111,000 (2015: HK\$14,254,000).

After accounted for the foregoing, the profit attributable to shareholders of the Company amounted to HK\$58,003,000 (2015: HK\$52,720,000), which was increased by 10% from that of the last corresponding period with basic earnings per share of HK\$0.2580 (2015: HK\$0.2373).

Taken into account of other comprehensive expense of HK\$88,542,000 (2015: HK\$120,796,000) resulting from the exchange difference on translation from depreciated functional currency in RMB to presentation currency in HK\$, the total comprehensive expense attributable to shareholders of the Company amounted to HK\$28,986,000 (2015: HK\$65,929,000).

Management Statement *(Continued)*

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.5 Hong Kong cents (2015: 2.5 Hong Kong cents) per share for the six months ended 31 December 2016 to the shareholders of the Company whose names appear on the register of members on 13 April 2017. The warrants for the interim dividend are expected to be despatched to those entitled on or about 28 April 2017.

BUSINESS REVIEW

In the period under review, the revenue and results of the Group were principally derived from its operating segment of property rental in the mainland China denominated in RMB, which performed steadily as compared with those of the last corresponding period.

Details of the segment information of the Group's revenue and results by reportable segment for the period are set out in note 3 to the condensed consolidated financial statements.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing amounted to RMB44,609,000 (2015: RMB41,660,000), showing an increase of 7% as compared with that of last corresponding period. Such rental income presented in the financial statements in the sum of HK\$51,121,000 (2015: HK\$50,840,000), which represented 100% (2015: 100%) of the consolidated revenue of the Group in the period. And the fair value of these investment properties of the Group comprising shopping mall and car parks in Beijing and office units in Shanghai appreciated in the sum of RMB37,500,000 (2015: RMB39,000,000), translating into HK\$42,974,000 (2015: HK\$47,593,000) in the period. As such, the segment results of property rental reported a profit of RMB71,989,000 (2015: RMB72,087,000), translating into HK\$82,498,000 (2015: HK\$87,971,000).

Management Statement *(Continued)*

BUSINESS REVIEW *(Continued)*

In Beijing, the rental income generated from the well-established community mall of the Group in Chaoyang District was stable with average occupancy rate of over 95% (2015: over 95%) throughout the period. In addition, the rental income of this segment in the period totalled RMB15,214,000 (2015: RMB15,306,000). The rental income of this segment translated into HK\$17,436,000 (2015: HK\$18,678,000) which accounted for 34% (2015: 37%) of the total revenue of the Group. The fair value of these investment properties appreciated in the sum of RMB1,500,000 (2015: RMB2,000,000), translated into HK\$1,719,000 (2015: HK\$2,441,000), and contributing to a profit of HK\$12,680,000 (2015: HK\$15,861,000) in the segment results of property rental in Beijing in the period. Due to limited residential units held for sale by the Group in Beijing, there was nil (2015: nil) proceeds of property sales of the Group resulting in an administrative loss of HK\$99,000 (2015: HK\$102,000) in the segment results of property sales in the period.

In Shanghai, “Eton Place”, the Group’s quality offices located in the prominent financial centre of Little Lujiazui in Pudong, attained almost full occupancy with improved rental rate during the period. And the rental income amounted to RMB29,394,000 (2015: RMB26,355,000), representing an increase of 12% from that of the last corresponding period. It translated into HK\$33,685,000 (2015: HK\$32,162,000) which accounted for 66% (2015: 63%) of the total revenue of the Group. The fair value of these investment properties appreciated in the sum of RMB36,000,000 (2015: RMB37,000,000), translating into HK\$41,255,000 (2015: HK\$45,152,000), and the segment results of property rental in Shanghai recorded a total profit of HK\$69,818,000 (2015: HK\$72,110,000) in the period.

During the period under review, Shenzhen Zhen Wah Harbour Enterprises Ltd. (“**Zhen Wah**”, a joint venture in which the Company holds 49%), which holds a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen (“**Land**”), commenced compulsory liquidation in July 2016 under supervision of the PRC court and management of a liquidation committee (“**Liquidation Committee**”) as nominated by the PRC court.

Management Statement *(Continued)*

BUSINESS REVIEW *(Continued)*

The Group has been closely monitoring the liquidation proceedings with the assistance of its legal advisers and has lodged with the Liquidation Committee claims for creditor's debts against Zhen Wah. Meanwhile, the Group has been actively working with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding such liquidation and a proposal for re-zoning, compensation for demolition, relocation and increase of gross developable area of the Land.

Due to the complexity of issues involved in the liquidation of Zhen Wah including the aforesaid matters, the PRC court has accepted the application lodged by the Liquidation Committee to extend the period of compulsory liquidation of Zhen Wah for six months up to July 2017.

FINANCIAL REVIEW

Capital Structure

In the period under review, the financial position of the Group remained sound and liquid, with its financing and treasury policies being managed and controlled at the corporate level in a prudent manner. The main objective is to utilise the group funding efficiently and to manage the financial risks effectively. As at 31 December 2016, the equity attributable to its owners amounted to HK\$1,867,285,000 (30 June 2016: HK\$1,902,346,000) with net asset value per share of HK\$8.30 (30 June 2016: HK\$8.48). Total unsecured and secured bank borrowings of the Group amounted to about HK\$145,800,000 (30 June 2016: HK\$149,593,000), which were in HK\$ and repayable within one year on floating rate basis. As at 31 December 2016, the gearing ratio of the Group was 8% (30 June 2016: 8%) based on the total debt of the Group to its equity attributable to owners of the Company. The exposure to foreign currency fluctuations of RMB against HK\$ affected the Group in the period under review caused mainly by the fluctuation of RMB devalued against HK\$, resulting in the net exchange loss of HK\$6,409,000 (six months ended 31 December 2015: HK\$9,805,000) and the un-realised exchange difference on translation of functional currency of RMB to presentation currency of HK\$, amounted to other comprehensive expense of HK\$88,542,000 (six months ended 31 December 2015: HK\$120,796,000). No financial instruments were used for hedging purpose in the period. As recent fluctuation of RMB may affect the financial performance and position of the Group, the Group will consider to seek feasible measures to minimise the adverse impact.

Management Statement *(Continued)*

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

In the period under review, there was sufficient cashflow as generated by rental revenue of investment properties in Shanghai and Beijing. As at 31 December 2016, fixed bank deposits and bank balances and cash of the Group stood at HK\$236,962,000 (30 June 2016: HK\$244,719,000), denominated primarily in RMB. With sufficient cashflow, the Group maintained an un-utilised credit facilities of HK\$11,000,000 (30 June 2016: HK\$11,000,000) as working capital at floating interest rate as at 31 December 2016. And no significant capital expenditure commitments and authorisations was made in the period.

In preparing the condensed consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group. While recognising that the Group had net current liabilities of HK\$4,214,000 at 31 December 2016, the Directors are of the opinion the Group will be able to meet its financial obligations as they all due for the foreseeable future as the Group has sufficient and steady projected future cash inflow and available unutilised bank borrowing facilities. In addition, the Directors expect to renew the existing banking facilities on similar terms and conditions when the existing banking facilities of the Group mature (if necessary). Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Pledge of Assets and Contingent Liabilities

As at 31 December 2016, the Group pledged its properties with a total carrying value of HK\$825,033,000 (30 June 2016: HK\$835,410,000), and granted an assignment of rental and sale proceeds from such properties and a charge over shares in respect of a wholly-owned subsidiary of the Group to financial institutions as security against general banking facilities granted to the Group. As at the end of the reporting period, the Group also pledged certain of its bank deposits in the sum of HK\$11,900,000 (30 June 2016: HK\$14,249,000) to banks to secure banking facilities and home loans granted to the home buyers of property project of the Group and provided guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 31 December 2016, the Group provided guarantees in respect of such home loans of HK\$6,724,000 (30 June 2016: HK\$8,800,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

Management Statement *(Continued)*

PROSPECTS

Looking ahead, the economy of China is generally expected to continue to grow at a slower pace in view of uncertainty in global economy and fluctuating in the exchange rate of RMB. It is anticipated that the PRC government will adopt monetary policy to maintain a stable exchange rate of RMB, stabilise investments, and in particular, encourage investments in the official national development of high-end service industries and focus on domestic consumption that will continue to sustain leasing demand of office and retail sectors.

In Beijing, strong competition from online retailers and increasing supply of retail space will constrain rental growth for the retail property market. However, it is expected that the growing urban disposable income and expenditure per capita will sustain mid-range and mass-market retailers resulting in a stabilising effect on rental of mid-range and mass-market retail property. The Group will continue to optimise leasing and marketing strategies for maintaining high occupancy rate and stable revenue to the Group.

In Shanghai, it is expected that office market in Pudong as financial hub will remain stable with active leasing demand from the finance and other professional sectors. However, the rental growth is expected to face pressure due to impending new supply of premier office. To maintain high occupancy rate and stable income, the Group will continue to adopt competitive rental strategies.

The Group will continue to act proactively to safeguard the best interests of the Company in the context of compulsory liquidation of Zhen Wah. However, the issues involved in the compulsory liquidation of Zhen Wah are complex, involving not only the PRC court but also various governmental authorities and other related parties. There is no assurance that the liquidation may not be subject to significant delay, oppositions and/or obstructions. There may be further dispute or litigation with respect to the matters of Zhen Wah and/or its assets for safeguarding the best interests of the Group.

Management Statement *(Continued)*

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 April 2017 to Thursday, 13 April 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 7 April 2017.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2016, the interests and short positions held by the Directors or the chief executive(s) of the Company or any of their associates in the shares of the Company (the "Shares"), shares of any of its associated corporations and underlying shares and debentures 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 required to be kept by the Company under 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 as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

| Name of Director | Personal interests in number of issued ordinary Shares of the Company (long position) | Personal interests in underlying Shares pursuant to share options (long position) <i>(note 1)</i> | Aggregate interests | Total interests as approximate percentage of issued share capital <i>(note 2)</i> |
|-----------------------------|--|--|------------------------|--|
| Mr. TAN Harry Chua | 636,000 | 1,500,000 | 2,136,000 | 0.95% |
| Dr. CHAN Wing Kit, Frank | - | 1,650,000 | 1,650,000 | 0.73% |
| Mr. TAN Lucio Jr. Khao | - | 1,500,000 | 1,500,000 | 0.67% |
| Mr. PASCUAL Ramon Sy | 80,000 | 1,500,000 | 1,580,000 | 0.70% |
| Mr. CHIU Siu Hung, Allan | 1,000,000 | - | 1,000,000 | 0.44% |
| Mr. CHONG Kim Chan, Kenneth | - | 1,000,000 | 1,000,000 | 0.44% |
| Dr. SY Robin Chua | - | 1,000,000 | 1,000,000 | 0.44% |
| Dr. FOK Kam Chu, John | 650,000 | - | 650,000 | 0.29% |
| Mr. GO Patrick Lim | - | 1,000,000 | 1,000,000 | 0.44% |

Management Statement *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

(Continued)

- Notes:
1. The Directors' interests in the underlying Shares are through share options granted by the Company on 25 October 2011 under the 2001 share option scheme and 10 November 2015 under the 2011 share option scheme respectively, details of which are set out in note 16 to the condensed consolidated financial statements in this interim report.
 2. The calculation is derived from the aggregate interests as a percentage of the total number of issued Shares of the Company (i.e. 225,016,181 Shares) as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors, the chief executive(s) of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers stipulated in the Listing Rules. Save as disclosed above, none of the Directors, the chief executive(s) of the Company or any of their associates had been granted or exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards of dealings as set out therein during the six months ended 31 December 2016.

Management Statement *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2016, so far as is known to any Director or chief executive(s) of the Company, persons (other than the Directors or the chief executive(s) of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Capacity | Number of issued ordinary Shares and underlying Shares (long position) | Total interests (long position) | Total interests as approximate percentage of issued share capital <i>(note 5)</i> |
|---------------------------------|--|--|---------------------------------|---|
| Dr. TAN Lucio C. | Founder of a private discretionary trust | 89,321,279 | 93,701,279 | 41.64% |
| | Beneficial owner <i>(note 1)</i> | 2,190,000 | | |
| Mrs. TAN Carmen K. | Family interests <i>(note 1)</i> | 2,190,000 | 93,701,279 | 41.64% |
| | Beneficial owner <i>(note 2)</i> | 2,190,000 | | |
| Dynamic Development Corporation | Beneficial owner | 89,321,279 | 89,321,279 | 39.70% |
| Carnation Investments Inc. | Trustee of a private discretionary trust <i>(note 3)</i> | 89,321,279 | 89,321,279 | 39.70% |
| Mr. CHUA Domingo | Corporate interests <i>(note 4)</i> | 89,321,279 | 95,121,279 | 42.27% |
| | Beneficial owner <i>(note 4)</i> | 5,800,000 | | |

Management Statement *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES *(Continued)*

- Notes:*
1. Dr. TAN Lucio C. beneficially held 2,190,000 underlying Shares as derivative interests. Dr. TAN, being the spouse of Mrs. TAN Carmen K. who was interested in 2,190,000 underlying Shares as derivative interests, was deemed or taken to be interested in such Shares as family interests in which Mrs. TAN Carmen K. was interested under the SFO.
 2. Mrs. TAN Carmen K. beneficially held 2,190,000 underlying Shares as derivative interests. Mrs. TAN, being the spouse of Dr. TAN Lucio C. who was interested in 89,321,279 Shares of the Company as a founder of a private discretionary trust and 2,190,000 underlying Shares as derivative interests, was deemed or taken to be interested in such Shares as family interests in which Dr. TAN Lucio C. was interested under the SFO.
 3. Carnation Investments Inc. was taken to be interested in 89,321,279 Shares in the Company as the entire issued share capital of Dynamic Development Corporation was held by Carnation Investments Inc. as trustee for a private discretionary trust.
 4. The corporate interests of Mr. CHUA Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. Mr. CHUA Domingo is the sole shareholder and director of Carnation Investments Inc. Mr. CHUA Domingo beneficially held 1,800,000 underlying Shares as derivative interests.
 5. The calculation is derived from the aggregate interests as a percentage of the total number of issued Shares of the Company (i.e. 225,016,181 Shares) as at 31 December 2016.
 6. The references to 89,321,279 Shares in the Company in which Dr. TAN Lucio C., Mrs. TAN Carmen K., Mr. CHUA Domingo, Dynamic Development Corporation and Carnation Investments Inc. were interested or taken to be interested relate to the same block of Shares.

Save as disclosed above, as at 31 December 2016, no other person (other than the Directors and the chief executive(s) of the Company) had any interests or short positions in the Shares and underlying Shares recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Statement *(Continued)*

EMPLOYEES AND EMOLUMENT POLICY

At 31 December 2016, the Group had about 50 employees (including Directors) in Hong Kong and the mainland China at prevailing market remuneration with employee benefits such as medical insurance, provident fund schemes and share option schemes.

Both the emoluments of the respective Directors of the Company and the emolument policy of the employees of the Group are recommended by the remuneration committee of the Company. They are on the basis of the respective merits, responsibilities and duties, performance, qualifications and competence, taking into account of comparable market level, operating results of the Group, corporate goals and objectives of the Board of Directors and relevant legal requirements, provisions, guidelines and recommendations of regulatory bodies.

The Company has adopted share option schemes as incentive to Directors and eligible employees, details of the scheme is set out in note 16 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE

Throughout the six months ended 31 December 2016, the Company has applied the principles and has complied with the code provisions as set out in the Corporate Governance Code stipulated in Appendix 14 to the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting practices and principles adopted by the Group and discussed with the management as to auditing, risk management and internal control, corporate governance and financial reporting matters including the review of this unaudited interim report for the six months ended 31 December 2016.

By Order of the Board
CHAN Wing Kit, Frank
Director and Chief Executive Officer

Hong Kong, 24 February 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF DYNAMIC HOLDINGS LIMITED
(incorporated in the Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dynamic Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 17 to 35, which comprise the condensed consolidated statement of financial position as of 31 December 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements *(Continued)***CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 February 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

| | Notes | Six months ended 31 December | |
|---|-------|---------------------------------|---------------------------------|
| | | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Revenue | 3 | 51,121 | 50,840 |
| Direct costs | | (10,752) | (10,444) |
| Gross profit | | 40,369 | 40,396 |
| Other income, gains and losses | 4 | 2,898 | 703 |
| Increase in fair value of investment properties | 10 | 42,974 | 47,593 |
| Administrative expenses | | (12,766) | (13,223) |
| Selling expenses | | (574) | (326) |
| Finance costs | 5 | (1,992) | (2,200) |
| Share of loss of a joint venture | | (5,123) | (5,359) |
| Profit before taxation | 6 | 65,786 | 67,584 |
| Taxation | 7 | (7,111) | (14,254) |
| Profit for the period | | 58,675 | 53,330 |
| Other comprehensive expense | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation to presentation currency | | (88,542) | (120,796) |
| Total comprehensive expense for the period | | (29,867) | (67,466) |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 31 December 2016

| | Note | Six months ended 31 December | |
|---|------|---------------------------------|---------------------------------|
| | | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 58,003 | 52,720 |
| Non-controlling interests | | 672 | 610 |
| | | 58,675 | 53,330 |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | (28,986) | (65,929) |
| Non-controlling interests | | (881) | (1,537) |
| | | (29,867) | (67,466) |
| Earnings per share (Hong Kong cents) | 9 | | |
| Basic | | 25.80 | 23.73 |
| Diluted | | 24.55 | 22.54 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

| | | At 31 December 2016 <i>HK\$'000</i> (Unaudited) | At 30 June 2016 <i>HK\$'000</i> (Audited) |
|---|----|---|---|
| Non-current Assets | | | |
| Property, plant and equipment | | 2,343 | 1,743 |
| Investment properties | 10 | 1,882,371 | 1,926,240 |
| Interest in a joint venture | 11 | 62,778 | 71,570 |
| Amount due from a joint venture | 11 | 231,736 | 235,184 |
| | | 2,179,228 | 2,234,737 |
| Current Assets | | | |
| Properties held for sale | | 15,154 | 15,947 |
| Loan receivables | 12 | – | – |
| Trade and other receivables | 13 | 31,952 | 17,589 |
| Amount due from a non-controlling shareholder | | 855 | 895 |
| Pledged bank deposits | | 11,900 | 14,249 |
| Fixed bank deposits | | 145,874 | 161,121 |
| Bank balances and cash | | 91,088 | 83,598 |
| | | 296,823 | 293,399 |
| Current Liabilities | | | |
| Trade and other payables | 14 | 58,173 | 61,670 |
| Tax payable | | 90,314 | 96,800 |
| Dividend payable | | 6,750 | – |
| Bank loans | | 145,800 | 149,593 |
| | | 301,037 | 308,063 |
| Net Current Liabilities | | (4,214) | (14,664) |
| Total Assets less Current Liabilities | | 2,175,014 | 2,220,073 |

Condensed Consolidated Statement of Financial Position *(Continued)*

At 31 December 2016

| | <i>Note</i> | At 31 December 2016 <i>HK\$'000</i> (Unaudited) | At 30 June 2016 <i>HK\$'000</i> (Audited) |
|---|-------------|---|---|
| Non-current Liability | | | |
| Deferred tax liabilities | | 274,456 | 283,573 |
| Net Assets | | 1,900,558 | 1,936,500 |
| Capital and Reserves | | | |
| Share capital | 15 | 225,016 | 224,419 |
| Reserves | | 1,642,269 | 1,677,927 |
| Equity attributable to owners of the Company | | 1,867,285 | 1,902,346 |
| Non-controlling interests | | 33,273 | 34,154 |
| Total Equity | | 1,900,558 | 1,936,500 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

| | Attributable to owners of the Company | | | | | | | | | | | Non-controlling interests HK\$'000 | Total HK\$'000 |
|---|---------------------------------------|---------------------------|---|--|---------------------------------|----------------------------------|---------------------------------------|---|------------------------------|-----------------------|---------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 (Note a) | Capital redemption reserve HK\$'000 | Translation reserve HK\$'000 | Share option reserve HK\$'000 | Other reserve HK\$'000 (Note b) | Statutory reserve HK\$'000 (Note c) | Retained profits HK\$'000 | Sub-total HK\$'000 | | | |
| At 1 July 2016 (audited) | 224,419 | 429,292 | 55,018 | 1,644 | 232,750 | 6,586 | 92,451 | 9,442 | 850,744 | 1,902,346 | 34,154 | 1,936,500 | |
| Profit for the period | - | - | - | - | - | - | - | - | 58,003 | 58,003 | 672 | 58,675 | |
| Exchange differences arising on translation | - | - | - | - | (86,989) | - | - | - | - | (86,989) | (1,553) | (88,542) | |
| Total comprehensive (expense) income for the period | - | - | - | - | (86,989) | - | - | - | 58,003 | (28,986) | (881) | (29,867) | |
| Issue of shares upon exercise of share options | 597 | 302 | - | - | - | (224) | - | - | - | 675 | - | 675 | |
| Cash dividends (note 8) | - | - | - | - | - | - | - | - | (6,750) | (6,750) | - | (6,750) | |
| At 31 December 2016 (unaudited) | 225,016 | 429,594 | 55,018 | 1,644 | 145,761 | 6,362 | 92,451 | 9,442 | 901,997 | 1,867,285 | 33,273 | 1,900,558 | |
| At 1 July 2015 (audited) | 219,404 | 426,759 | 55,018 | 1,644 | 394,584 | 8,100 | 92,451 | 8,287 | 768,547 | 1,974,794 | 36,572 | 2,011,366 | |
| Profit for the period | - | - | - | - | - | - | - | - | 52,720 | 52,720 | 610 | 53,330 | |
| Exchange differences arising on translation | - | - | - | - | (118,649) | - | - | - | - | (118,649) | (2,147) | (120,796) | |
| Total comprehensive (expense) income for the period | - | - | - | - | (118,649) | - | - | - | 52,720 | (65,929) | (1,537) | (67,466) | |
| Transfer | - | - | - | - | - | - | - | 242 | (242) | - | - | - | |
| Issue of shares upon exercise of share options | 4,150 | 2,096 | - | - | - | (1,556) | - | - | - | 4,690 | - | 4,690 | |
| Recognition of equity-settled share-based payments | - | - | - | - | - | 930 | - | - | - | 930 | - | 930 | |
| Cash dividends (note 8) | - | - | - | - | - | - | - | - | (6,706) | (6,706) | - | (6,706) | |
| Cash dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (597) | (597) | |
| At 31 December 2015 (unaudited) | 223,554 | 428,855 | 55,018 | 1,644 | 275,935 | 7,474 | 92,451 | 8,529 | 814,319 | 1,907,779 | 34,438 | 1,942,217 | |

Notes:

- The special reserve of the Group arose from the difference between the aggregate amount of the then share capital, share premium, general reserve and retained profits of the subsidiaries acquired, and the nominal amount of the Company's shares issued for the acquisition in relation to a previous group reorganisation.
- The other reserve of the Group represents deemed contributions from equity holders of the Company which arose from the difference between the fair value of consideration paid and payable and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired through acquisition of the subsidiaries during the year ended 30 June 2006.
- The statutory reserve transferred from retained profits are required by relevant laws and regulations of the People's Republic of China ("PRC") applicable to the Company's subsidiary in the PRC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

| | Six months ended 31 December | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 3,911 | 22,821 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | |
| Interest received | 3,834 | 893 |
| Withdrawal (placement) of fixed bank deposits | 8,071 | (9,939) |
| Withdrawal of pledged bank deposits | 1,714 | 1,999 |
| Purchase of property, plant and equipment | (800) | – |
| Other investing cash flows | – | (12) |
| | 12,819 | (7,059) |
| NET CASH USED IN FINANCING ACTIVITIES | | |
| Issue of shares upon exercise of share options | 675 | 4,690 |
| Repayment of bank loans | (4,000) | (12,000) |
| Interest paid | (1,992) | (2,200) |
| | (5,317) | (9,510) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 11,413 | 6,252 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 83,598 | 84,985 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | (3,923) | (4,786) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash | 91,088 | 86,451 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In preparing the condensed consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group. While recognising that the Group had net current liabilities of HK\$4,214,000 at 31 December 2016, the Directors are of the opinion the Group will be able to meet its financial obligations as they all due for the foreseeable future as the Group has sufficient and steady projected future cash inflow and available unutilised bank borrowing facilities. In addition, the Directors expect to renew the existing banking facilities on similar terms and conditions when the existing banking facilities of the Group mature (if necessary). Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, that are measured at their fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2016.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the board of Directors (the “**Board**”) of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance focused on the location of the properties for property rental and property sales.

The property rental segment includes property leasing operation in the People’s Republic of China (the “**PRC**”). The Group’s investment properties portfolio, which mainly consists of offices, shopping mall and carparks, are located in Shanghai and Beijing, the PRC. The property sales segment includes sales of the Group’s trading properties in Beijing.

These divisions, property rental and property sales analysed based on distinct geographical locations, are the basis on which the Group reports its segment information under Hong Kong Financial Reporting Standard 8 “*Operating Segments*”.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment for the period:

| | Property rental | | | | Property sales | | Consolidated | |
|----------------------------------|--|----------|----------|----------|----------------|----------|--------------|----------|
| | Beijing | | Shanghai | | Beijing | | 2016 | 2015 |
| | Six months ended 31 December (Unaudited) | | | | | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| SEGMENT REVENUE | | | | | | | | |
| External sales | 17,436 | 18,678 | 33,685 | 32,162 | - | - | 51,121 | 50,840 |
| SEGMENT RESULT | 12,680 | 15,861 | 69,818 | 72,110 | (99) | (102) | 82,399 | 87,869 |
| Unallocated other income | | | | | | | 2,399 | 35 |
| Unallocated corporate expenses | | | | | | | (11,897) | (12,761) |
| Finance costs | | | | | | | (1,992) | (2,200) |
| Share of loss of a joint venture | | | | | | | (5,123) | (5,359) |
| Profit before taxation | | | | | | | 65,786 | 67,584 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit (loss) from each segment without the allocation of central administration costs, exchange gain (loss), bank interest income, imputed interest income on amount due from a joint venture, finance costs and share of loss of a joint venture. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

4. OTHER INCOME, GAINS AND LOSSES

| | Six months ended 31 December | |
|--|------------------------------|-------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Included in other income, gains and losses are: | | |
| Bank interest income | 1,913 | 2,661 |
| Exchange loss, net | (6,409) | (9,805) |
| Imputed interest income on amount due from a joint venture | 6,895 | 6,926 |
| Imputed interest income on other receivables | 1 | 3 |

5. FINANCE COSTS

| | Six months ended 31 December | |
|-----------------------------|------------------------------|-------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 1,992 | 2,200 |

6. PROFIT BEFORE TAXATION

| | Six months ended 31 December | |
|--|------------------------------|-------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit before taxation has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 126 | 91 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

7. TAXATION

| | Six months ended 31 December | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| The tax charge comprises: | | |
| Current tax in the PRC (other than Hong Kong) | | |
| Current period | 3,509 | 6,089 |
| Deferred taxation | 3,602 | 8,165 |
| | 7,111 | 14,254 |

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC entity is 25%.

Certain subsidiaries of the Company incorporated in Hong Kong and the British Virgin Islands are subject to withholding tax ranging from 10% to 25% on their taxable rental income, management fee income and interest income in the PRC.

8. DIVIDENDS

| | Six months ended 31 December | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Final dividend payable in respect of year ended 30 June 2016 of 3 Hong Kong cents (2015: 3 Hong Kong cents) per share | 6,750 | 6,706 |

Subsequent to the end of the current interim period, the Directors of the Company have declared that an interim dividend of 2.5 Hong Kong cents (six months ended 31 December 2015: 2.5 Hong Kong cents) will be paid to the owners of the Company whose names will appear on the register of members of the Company on 13 April 2017.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | Six months ended 31 December | |
|---|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Earnings | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company) | 58,003 | 52,720 |

| | Six months ended 31 December | |
|--|------------------------------|---------------------|
| | 2016 (Unaudited) | 2015 (Unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 224,811,901 | 222,203,681 |
| Effect of dilutive potential ordinary shares on share options | 11,448,153 | 11,730,057 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 236,260,054 | 233,933,738 |

10. INVESTMENT PROPERTIES

| | HK\$'000 |
|---|------------------|
| FAIR VALUE | |
| At 1 July 2016 (audited) | 1,926,240 |
| Exchange realignment | (86,843) |
| Increase in fair value of investment properties | 42,974 |
| At 31 December 2016 (unaudited) | 1,882,371 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

10. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties as at 30 June 2016 and 31 December 2016 has been arrived at on the basis of valuations carried out on those dates by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at with adoption of the direct comparison approach by making reference to market comparable sales transactions as available in the market and where appropriate, adopted the investment method by capitalising the rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the properties. The revaluation gave rise to a net gain arising from increase in fair value of HK\$42,974,000 (six months ended 31 December 2015: HK\$47,593,000) which has been credited to profit or loss.

11. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

| | At 31 December 2016 HK\$'000 (Unaudited) | At 30 June 2016 HK\$'000 (Audited) |
|---|--|--|
| Cost of investment, unlisted | 133,157 | 136,345 |
| Share of post-acquisition losses and reserves | (70,379) | (64,775) |
| | 62,778 | 71,570 |
| Amount due from a joint venture | 231,736 | 235,184 |

Particulars of the joint venture as at 31 December 2016 and 30 June 2016 are as follows:

| Name of joint venture | Place of establishment | The Group's equity interests | Principal activity |
|--|------------------------|------------------------------|-------------------------|
| Shenzhen Zhen Wah Harbour Enterprises Ltd. ("Zhen Wah") | PRC | 49% | Operation ceased (Note) |

Note: The operation period of Zhen Wah expired on 16 January 2014. Thereafter, Zhen Wah ceased its operation and is now in the process of liquidation.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

11. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (Continued)

Zhen Wah is a sino-foreign equity joint venture company and indirectly held by the Company. The Group is able to exercise 50% voting power in the joint venture, which is determined by the proportion of the Group's representatives in the board of directors of Zhen Wah. The operation period of Zhen Wah expired on 16 January 2014. Both joint venture partners of Zhen Wah have determined not to extend its operation period and an application was lodged to compulsorily liquidate Zhen Wah. PRC court accepted the application for compulsory liquidation of Zhen Wah in July 2016.

Based on the PRC laws and regulations and the related interpretations by an external PRC legal counsel engaged by the Group, after the expiry of the operation period and even under liquidation process, the legal identity of Zhen Wah still exists and the net assets of Zhen Wah will be distributed to the joint venture partners based on their equity contributions after the completion of the liquidation. The Directors of the Company expect that the liquidation process is not expected to complete within one year.

The amount due from a joint venture is unsecured and to be repayable after the next twelve months from the end of the reporting period. The amount is carried at amortised cost at an effective interest rate of 6% (30 June 2016: 6%) per annum.

The Directors of the Company have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK\$62,778,000 and HK\$231,736,000, respectively as at 31 December 2016. Based on the latest financial information and fair value of prepaid lease payments of Zhen Wah, the Directors of the Company have concluded that the amounts will be fully recoverable.

12. LOAN RECEIVABLES

| | At 31 December 2016 HK\$'000 (Unaudited) | At 30 June 2016 HK\$'000 (Audited) |
|------------------------------------|--|--|
| Loan receivables | 1,491 | 1,560 |
| Less: Allowance for doubtful debts | (1,491) | (1,560) |
| | — | — |

The loan receivables were unsecured and interest-free. The amounts were all past due at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

13. TRADE AND OTHER RECEIVABLES

For property sales, the Group allows an average credit period of 30 days (30 June 2016: 30 days) to the buyers. Rentals receivable from tenants and service income receivables from customers are payable on presentation of invoices.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of the reporting period:

| | At 31 December 2016 HK\$'000 (Unaudited) | At 30 June 2016 HK\$'000 (Audited) |
|-------------------|--|--|
| 0–60 days | 5,231 | 8,074 |
| 61–90 days | 211 | – |
| More than 90 days | 812 | 277 |
| | 6,254 | 8,351 |

Included in the Group's trade receivable balances are debtors with a carrying amount of HK\$2,351,000 (30 June 2016: HK\$2,464,000) which are past due at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the management considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average overdue age of these receivables is 103 days (30 June 2016: 50 days) overdue.

Aging of past due but not impaired trade receivables

| | At 31 December 2016 HK\$'000 (Unaudited) | At 30 June 2016 HK\$'000 (Audited) |
|-------------------|--|--|
| Overdue: | | |
| 0–30 days | 1,071 | 1,380 |
| 31–60 days | 257 | 807 |
| 61–90 days | 211 | – |
| More than 90 days | 812 | 277 |
| | 2,351 | 2,464 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

14. TRADE AND OTHER PAYABLES

At 31 December 2016, the balance of trade and other payables included trade payables of HK\$1,017,000 (30 June 2016: HK\$1,951,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

| | At 31 December 2016 <i>HK\$'000</i> (Unaudited) | At 30 June 2016 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0-60 days | 527 | 845 |
| Over 60 days | 490 | 1,106 |
| | 1,017 | 1,951 |

The other payables mainly include rental deposits of HK\$28,356,000 (30 June 2016: HK\$29,307,000) and receipt in advance of HK\$3,548,000 (30 June 2016: HK\$3,454,000).

15. SHARE CAPITAL

| | Number of shares | Amount <i>HK\$'000</i> |
|---|---------------------|---------------------------|
| Ordinary shares of HK\$1.00 each | | |
| Authorised: | | |
| At 1 July 2015, 30 June 2016 and 31 December 2016 | 300,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 1 July 2015 | 219,403,681 | 219,404 |
| Issue upon exercise of share options | 5,015,000 | 5,015 |
| At 30 June 2016 | 224,418,681 | 224,419 |
| Issue upon exercise of share options (<i>Note</i>) | 597,500 | 597 |
| At 31 December 2016 | 225,016,181 | 225,016 |

Note: During the six months ended 31 December 2016, the Company issued 597,500 ordinary shares of HK\$1 each upon exercise of share options. The exercise price of the share options during the period was HK\$1.13 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

The Company previously adopted a share option scheme on 21 December 2001 (the “**2001 Scheme**”). On 9 December 2011, an ordinary resolution was passed by the shareholders at the annual general meeting of the Company approving the adoption of a new share option scheme (the “**2011 Scheme**”) which will expire on 8 December 2021 and the simultaneous termination of the 2001 Scheme with effect from 9 December 2011. Both the 2001 Scheme and 2011 Scheme were adopted for the purpose of providing incentives to Directors, employees and eligible participants.

Under both the 2001 Scheme and 2011 Scheme, the Board of Directors of the Company may grant share options (the “**Options**”) to Directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board of Directors of the Company pursuant to the terms thereof, to subscribe for shares of the Company (the “**Shares**”), at a price per Share not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange’s daily quotation sheets on the date of grant of the relevant Option, which must be a trading day; (ii) the average of the closing price of a Share as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant of the relevant Option; and (iii) the nominal value of a Share.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the share option schemes shall not in aggregate exceed 10% of the issued share capital of the Company at the date of the adoption of the relevant share option scheme. Under the 2011 Scheme, such 10% represents 21,910,368 Shares, which continue to represent about 10% of the issued share capital of the Company as at the date of this interim report. No Director, employee or eligible participant may exercise option(s) granted to him or her under the share option scheme if such exercise would result in him or her subscribing for more than 1% of the issued share capital of the Company as at the date of such new grant in any 12-month period. The option period for which the options granted are exercisable, shall be such period as notified by the Board of Directors of the Company, save that it shall not be more than ten years from the date of grant. A nominal consideration of HK\$1 is payable by the grantee on acceptance of each grant. The offer of a grant of share options may be accepted within 28 days from the date of the offer.

As at 31 December 2016, the number of Shares in respect of which Options had been granted and remained outstanding under the 2001 Scheme and the 2011 Scheme were 14,487,500 (30 June 2016: 15,085,000) Shares and 1,000,000 (30 June 2016: 1,000,000) Shares respectively, representing 6.6% (30 June 2016: 6.9%) and 0.5% (30 June 2016: 0.5%) of the Shares of the Company in issue as at the dates of approval of the 2001 Scheme and 2011 Scheme.

One tranche of Options under the 2011 Scheme was granted during the six months ended 31 December 2015. Fair value of these Options was calculated using the binomial model. The inputs into the model were as follows:

| | Share options granted on 10 November 2015 |
|--------------------------------------|---|
| Closing Share price on date of grant | HK\$3.05 |
| Exercise price per Share | HK\$3.05 |
| Life of Options | 3.96 years |
| Expected volatility | 43.19% |
| Expected dividend yield | 1.75% |
| Risk-free interest rate | 1.018% |

The fair value of the Options granted during the six months ended 31 December 2015 as at the date of grant was HK\$930,000.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (Continued)

The following tables disclose details of the Company's Options:

For the six months ended 31 December 2016

| Date of grant | Exercise price per Share <i>HK\$</i> | Exercisable period | Number of Options | | | | Outstanding at 31 December 2016 |
|---|---|-------------------------------------|----------------------------|---------------------------|-----------------------------|--------------------------|---------------------------------|
| | | | Outstanding at 1 July 2016 | Granted during the period | Exercised during the period | Lapsed during the period | |
| 2001 Scheme | | | | | | | |
| 25 October 2011 | 1.13 | 25 October 2011 to 24 October 2019 | 15,085,000 | – | (597,500) | – | 14,487,500 |
| Exercisable at the end of the period | | | | | | | 14,487,500 |
| Weighted average exercise price (<i>HK\$</i>) | | | | | | | 1.13 |
| 2011 Scheme | | | | | | | |
| 10 November 2015 | 3.05 | 10 November 2015 to 24 October 2019 | 1,000,000 | – | – | – | 1,000,000 |
| Exercisable at the end of the period | | | | | | | 1,000,000 |
| Weighted average exercise price (<i>HK\$</i>) | | | | | | | 3.05 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (Continued)

For the six months ended 31 December 2015

| Date of grant | Exercise price per Share HK\$ | Exercisable period | Number of Options | | | | Outstanding at 31 December 2015 |
|--|----------------------------------|-------------------------------------|----------------------------|---------------------------|-----------------------------|--------------------------|---------------------------------|
| | | | Outstanding at 1 July 2015 | Granted during the period | Exercised during the period | Lapsed during the period | |
| 2001 Scheme | | | | | | | |
| 25 October 2011 | 1.13 | 25 October 2011 to 24 October 2019 | 21,600,000 | - | (4,150,000) | - | 17,450,000 |
| Exercisable at the end of the period | | | | | | | 17,450,000 |
| Weighted average exercise price (HK\$) | | | 1.13 | - | 1.13 | - | 1.13 |
| 2011 Scheme | | | | | | | |
| 10 November 2015 | 3.05 | 10 November 2015 to 24 October 2019 | - | 1,000,000 | - | - | 1,000,000 |
| Exercisable at the end of the period | | | | | | | 1,000,000 |
| Weighted average exercise price (HK\$) | | | - | 3.05 | - | - | 3.05 |

Options exercised during the six months ended 31 December 2016 resulted in 597,500 Shares being issued. The related weighted average closing price of the share immediately before the dates on which the Options were exercised was HK\$4.27 per share.

For the Options granted on 25 October 2011, the fair value of each Option determined as at the date of grant using the binominal option pricing model was HK\$0.375.

Save as disclosed above, no other option was granted under 2001 Scheme and 2011 Scheme since their adoption.

The fair value of the Options granted and recognised in profit or loss during the six months ended 31 December 2015 are HK\$930,000. Due to retirement of a Director with Options granted, HK\$563,000 was transferred to retained earnings during the year ended 30 June 2016.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2016

17. CONTINGENT LIABILITIES

The Group has given guarantees in respect of the settlement of home loans provided by banks to the home buyers of a property project in Beijing, the PRC. At 31 December 2016, the Group had given guarantees in respect of such home loans of HK\$6,724,000 (30 June 2016: HK\$8,800,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan to value ratio.

18. RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 4 and 11, during the period, the Group entered into the following transactions with related companies:

| | Six months ended 31 December | |
|---------------------------------|---------------------------------|---------------------------------|
| | 2016 HK\$'000 (Unaudited) | 2015 HK\$'000 (Unaudited) |
| Other income received | 226 | 217 |
| Rental and management fees paid | 1,512 | 1,479 |
| Consultancy service fees paid | 500 | 500 |
| Agency fees paid | 361 | 366 |

Other outstanding balances with the following related companies, which are unsecured, interest-free and repayable on demand, at 31 December 2016 and 30 June 2016, are as follows:

| | At 31 December 2016 HK\$'000 (Unaudited) | At 30 June 2016 HK\$'000 (Audited) |
|--|--|--|
| | Deposits paid to related companies included in other receivables | 531 |
| Amounts due from related companies included in other receivables | 2,759 | 1,305 |
| Amount due to a related company included in other payables | 1,088 | 1,286 |
| Amount due from a non-controlling shareholder | 855 | 895 |

The related companies are companies controlled by certain Directors of the Company.

During the current interim period, the emoluments of key management personnel were HK\$1,863,000 (six months ended 31 December 2015: HK\$2,942,000).

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANY

Details of advances given to an affiliated company as at 31 December 2016, which exceeded 8% under the assets ratio as defined under rule 13.16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) are as follows:

| Affiliated company | Percentage of equity held by the Group | Amount of advances at 31 December 2016 HK\$'000 (Unaudited) |
|--|--|---|
| Shenzhen Zhen Wah Harbour Enterprises Ltd. (“ Zhen Wah ”) (Note) | 49% | 231,736 |

Note: The operation period of Zhen Wah expired on 16 January 2014. Thereafter, Zhen Wah ceased its operation and is now in the process of liquidation.

The advances to Zhen Wah by the Group have been accounted for as amount due from a joint venture, details of which are disclosed in note 11 to the condensed consolidated financial statements.

The amount of advances are unsecured and to be repayable after the next twelve months from the end of the reporting period.

Pursuant to the continuing disclosure requirements under rule 13.22 of the Listing Rules, the proforma combined balance sheet of Zhen Wah and the attributable interests of the Group in Zhen Wah as at 31 December 2016 are disclosed as follows:

Proforma combined balance sheet of affiliated company

At 31 December 2016

| | Proforma combined balance sheet HK\$'000 (Unaudited) | Group's attributable interests HK\$'000 (Unaudited) |
|-------------------------|--|---|
| Non-current assets | 216,665 | 106,166 |
| Current assets | 42,209 | 20,682 |
| Current liabilities | (10,780) | (5,282) |
| Non-current liabilities | (231,736) | (113,551) |
| | | |
| Net assets | 16,358 | 8,015 |