CHEUK NANG (HOLDINGS) LIMITED

(Stock Code: 131)

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31/12/2017

CHEUK NANG (HOLDINGS) LIMITED

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

CHAIRMAN STATEMENT

RESULTS

I take pleasure to announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2017 of our Group is HK$524,355,000 (2016: HK$404,164,000) as set out in the unaudited condensed consolidated statement of profit or loss (representing an increase of 29.7% comparing with last year) which has been reviewed by the Company's audit committee.

The Directors resolved the payment of an interim dividend of HK7.5 cents per share (2016: HK6.5 cents) which represent an increase of 15.4% as 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 4 April 2018.

EXPIRY OF WARRANTS

The Warrants (warrant code: 1590) ("the 2018 June Warrants") will expire on 21 June 2018. Upto 28 February 2018, a total number of 15,658,537 units of warrants were exercised (being 79.6% of the total number of warrants issued) and a total number of 15,658,537 shares were issued.

REVIEW OF OPERATIONS

Hong Kong Properties

The Hong Kong both residential and office market had a robust 2017 with price and transaction volume increased. Demand in the primary market still greater than supply despite the developers have actively launched new projects, while the secondary market was also driven by strong market sentiment.

In January 2018, the Legislative Council has passed a Stamp Duty Amendment Bill which allows home owners to hold two flats for a total of 12 months, up from the original six months proposed, to offload their first property to avoid paying the tax. The Stamp Duty Amendment Bill will increase the flexibility for owner-occupiers and is likely to stimulate more activities in the secondary market.

The progress of our projects is as follows:

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

   Construction of both Phase 1 and Phase 2 of the project is all completed. Most purchasers and leasing tenants have already moved into the main block in Phase 1 represent 63% of occupancy. The determination of the previous main contractor Dao Kwei Kee Building & General Contractor Ltd. due to the contractor's financial problems led to the certificate of compliance of the development cannot be obtained by 31 January 2018. Notification were sent to all the purchasers and the government authorities and we will do our best to achieve the anticipated completion date for certificate of compliance as soon as possible.

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

   The occupancy rate maintained at 70%. Subdivision into smaller units for marketing purpose are under construction. Some renovation works for building elevation, driveway and carparks has been completed.

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

   The Group has recently engaged an exclusive agent to look for potential buyer for the whole development.

   The occupancy rate of the two blocks is 85% which contributed good rental income to the Group. The sub-division work of Unit A on the Ground Floor of Block 1 has commenced. The sub-division works of the remaining units will be commenced pending the expiry of the existing tenancy.

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

   Renovation works for upgrading the quality of the two blocks of villas is still in progress. The residential price in the Peak area have achieve historical high record. We have appointed an exclusive agent to put the properties for public tendering.

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 determination of the previous main contractor Dao Kwei Kee Building & General Contractor Ltd. The new contractors has endeavor to rectify and to improve the works done by the previous contractor and the construction work is anticipated be completed this year.

China Properties

In the fourth quarter of 2017, property market remained stable in major cities of Mainland China. Cooling measures in the residential market continued in some major cities which is expected the price growth will be stabilized as compared with last year.

Shenzhen continue to keep strong economic growth leading most of other cities in China in 2017 with the growth in gross domestic product ranked second among all major Chinese cities.

After the 19th Party National Congress, the development of a long-term residential leasing market as the top government real estate development priority has been further confirmed. This has led to recent increase in en-bloc transactions on condominiums and apartments acquired by domestic institutional investors.

Cheuk Nang Garden

Longhwa, Shenzhen

All relevant approval and certificate including the 規劃及竣工驗收合格證 were issued during the year 2017. Most sold units were handed over to the buyers. The application procedures for initial registration for ownership documents has commenced. The sale and rental of the remaining units will be resumed after the interior decoration of the units is completed for marketing requirement. The leasing of the commercial portion of the development is now in progress.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The market price for residence in Yue Hang Qu, Hangzhou has increased substantially. Our investment for the property will bring good return.

The construction has already completed. The inspection by various governmental departments including fire services and human protection services is still in progress. It is anticipated the certificate for completion could be obtained by this year.

Macau Properties

According to the statistical data released by the Macau government recently, the transaction volume of residential properties in the first 10 months of 2017 has already exceeded those in 2016. The buyers mostly are local people and over 50% of those buyers are holding one or more residential units at the time concluded the transactions. This reflected that the upward trend for property market in Macau will carry forward to 2018.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

Application for change of land use was submitted to the Direcção dos Serviços de Solos, Obras Públicas e Transportes ("DSSOPT) on 20 November 2017 waiting for issuance of the draft change of land use contract. The preparation of detailed construction and structural drawings (projecto de obra) has commenced. An application for construction of site excavation was submitted to the government authorities pending for approval.

Malaysia Properties

The demand for the residential properties remain steady in the fourth quarter of 2017. Despite the improvement in the economy situation and the unemployment rate, it is expected that there will be over 5,000 units of deluxe residential units completed in 2018 and the market will become very competitive.

Phase I "Parkview"
Lot 1359, Section 57, Lorong Perak, Kuala Lumpur, Malaysia
The renovation of the vacant serviced apartments has commenced and will be completed in stages. The rental market is relatively soft. We have appointed a new manager to strengthen the management and marketing for the serviced apartments.

Phases II "Cecil Central Residence"
Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur, Malaysia
The development recently submitted to the government for approval of Development Order is a completely new design of total built up gross floor area of 2,000,796.55 sq. ft. with three blocks of 70-storey concrete steel structure, one block of 20-storey fully automatic multi-storey car parks and one block of food court. The food court is conditional upon surrendered to the government after completion for ownership and operation which is a development condition reached with the government. The three blocks provides 1,129 residential units which includes 564 units of 650 sq. ft. to 799 sq. ft., 282 units of 800 sq. ft. to 1,499 sq. ft, 135 units of 1,500 sq. ft., 135 units of 2,500 sq. ft. and 13 units with 5,215 sq. ft. with attractive garden penthouse units at each blocks.

INVESTMENT IN BONDS AND HONG KONG STOCK MARKET

The investment in Bond market as at 31 December 2017 was HK$144,928,000. During the period, a total of HK$11,696,000 was sold and HK$23,253,000 was purchased.

The market price of our investment in the Hong Kong stocks as at 31 December 2017 was HK$11,673,000. During the period, a total of HK$4,529,000 stock was sold.

OUTLOOK

The Hong Kong's property market may remain cautiously optimistic in 2018, supported by rising confidence in economic growth, persistent low interest rates, and continuous inflow of Chinese capital. We expect, due to possible interest rate hikes in the U.S., property price increase is likely to be more moderate than in 2017.

Our investment in China, Macau and Malaysia is anticipated achieved satisfactory results in the years to come.

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, 28 February 2018

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 Statement of Profit or Loss

For the six months ended 31 December 2017

		Six months ended 31 December	
	Note	**2017**	2016
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**35,387**	1,667,852
Direct costs		**(12,823)**	(305,893)
Gross profit		**22,564**	1,361,959
Other income, net	4	**12,585**	8,289
Change in fair value of investment properties		**984,194**	(20,958)
Change in fair value of financial assets at fair value through profit or loss		**1,059**	1,272
Administrative expenses		**(28,405)**	(66,076)
Finance costs	5a	**(16,159)**	(11,820)
Profit before income tax	5	**975,838**	1,272,666
Income tax expense	6	**(451,483)**	(868,502)
Profit for the period		**524,355**	404,164
Profit for the period attributable to:			
Owners of the Company		**524,383**	405,507
Non-controlling interests		**(28)**	(1,343)
		524,355	404,164
Earnings per share for profit attributable to the owners of the Company during the period	8		
Basic		**HK$0.98**	HK$0.79
Diluted		**HK$0.97**	HK$0.79

Condensed Consolidated Statement of Comprehensive Income

As at 31 December 2017

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**524,355**	404,164
Other comprehensive income/(expense) for the period, net of tax		
Item that will be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	**534**	–
Exchange gain/(loss) on translation of financial statements of foreign operations	**173,712**	(68,085)
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	**5,575**	280
Income tax relating to components of other comprehensive income	**(920)**	(46)
Other comprehensive income/(expense) for the period, net of tax	**178,901**	(67,851)
Total comprehensive income for the period	**703,256**	336,313
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	**703,284**	337,656
Non-controlling interests	**(28)**	(1,343)
	703,256	336,313

Condensed Consolidated Statement of Financial Position

As at 31 December 2017

	Note	**At 31 December 2017** *HK$'000* **(Unaudited)**	At 30 June 2017 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	**6,963,077**	5,644,854
Property, plant and equipment		**36,579**	31,199
Other non-current asset		**950**	950
Other financial assets	10	**144,928**	132,755
Deferred tax assets		**11,732**	11,732
		7,157,266	5,821,490
Current assets			
Properties under development for sale	9	**1,495,392**	1,422,132
Completed properties for sale		**511,648**	671,441
Financial assets at fair value through profit or loss	11	**11,673**	15,143
Trade and other receivables	12	**28,523**	30,221
Tax recoverable		**–**	68
Bank balances and cash		**873,784**	913,706
		2,921,020	3,052,711
Current liabilities			
Other payables		**391,979**	363,488
Amounts due to non-controlling shareholders		**239,990**	239,990
Amount due to a related company		**1,426**	1,468
Interest-bearing borrowings		**837,563**	489,791
Tax payable		**422,840**	420,818
		1,893,798	1,515,555
Net current assets		**1,027,222**	1,537,156
Total assets less current liabilities		**8,184,488**	7,358,646

	Note	At 31 December 2017 HK$'000 (Unaudited)	At 30 June 2017 HK$'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings		**309,518**	654,690
Other payables		**–**	3,970
Advances from a director		**131,964**	175,636
Deferred tax liabilities		**1,221,818**	758,646
		1,663,300	1,592,942
Net assets		**6,521,188**	5,765,704
EQUITY			
Share capital	13	**2,176,062**	2,050,018
Reserves		**4,187,914**	3,558,446
Equity attributable to the owners of the Company		**6,363,976**	5,608,464
Non-controlling interests		**157,212**	157,240
Total equity		**6,521,188**	5,765,704

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**59,130**	231,485
Investing activities		
Additions of investment properties	**(52,553)**	(15,937)
Other investing activities	**(1,451)**	34,314
Net cash (used in)/generated from investing activities	**(54,004)**	18,377
Financing activities		
Repayment of advances from a director	**(43,672)**	(6,023)
New bank and other loans raised	**478,000**	129,295
Repayment of bank loans	**(478,780)**	(171,954)
Other financing activities	**52,228**	40,637
Net cash generated from/(used in) financing activities	**7,776**	(8,045)
Net increase in cash and cash equivalents	**12,902**	241,817
Cash and cash equivalents at 1 July	**876,257**	992,224
Effect of foreign exchange rate changes, on cash held	**(52,318)**	(46,406)
Cash and cash equivalents at 31 December	**836,841**	1,187,635
Analysis of the balances of cash and cash equivalents		
Bank balances and cash as stated in condensed consolidated statement of financial position	**873,784**	1,195,599
Less: Fixed deposits with original maturity of over three months	**(34,696)**	–
Less: Pledged bank balances	**(2,247)**	(7,964)
	836,841	1,187,635

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017

	Equity attributable to the owners of the Company						
	Share capital *HK$'000* (Unaudited)	Exchange reserve* *HK$'000* (Unaudited)	Property revaluation reserve* *HK$'000* (Unaudited)	Retained profits* *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)	Non-controlling interests *HK$'000* (Unaudited)	Total equity *HK$'000* (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)
Total comprehensive income/ (expense) for the period	–	(68,085)	234	405,507	337,656	(1,343)	336,313
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
Balance at 31 December 2016	2,007,672	(231,574)	19,886	3,734,772	5,530,756	147,204	5,677,960

	Equity attributable to the owners of the Company							
	Share capital *HK$'000* (Unaudited)	Exchange reserve* *HK$'000* (Unaudited)	Property revaluation reserve* *HK$'000* (Unaudited)	Available-for-sale financial assets revaluation reserve* *HK$'000* (Unaudited)	Retained profits* *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)	Non-controlling interests *HK$'000* (Unaudited)	Total equity *HK$'000* (Unaudited)
Balance at 1 July 2017	2,050,018	(199,231)	19,555	2,242	3,735,880	5,608,464	157,240	5,765,704
Profit/(Loss) for the period	–	–	–	–	524,383	524,383	(28)	524,355
Other comprehensive income/ (expenses) for the period								
Exchange gain on translation of financial statements of foreign operations	–	173,712	–	–	–	173,712	–	173,712
Change in fair value of available-for-sale financial assets	–	–	–	534	–	534	–	534
Surplus on revaluation of land and building	–	–	5,575	–	–	5,575	–	5,575
Income tax relating to components of other comprehensive income	–	–	(920)	–	–	(920)	–	(920)
Total comprehensive income/(expense) for the period	–	173,712	4,655	534	524,383	703,284	(28)	703,256
2017 final dividend approved and paid	–	–	–	–	(73,816)	(73,816)	–	(73,816)
Issue of share capital:								
Pursuant to scrip dividend scheme	57,679	–	–	–	–	57,679	–	57,679
By exercise of warrants	68,365	–	–	–	–	68,365	–	68,365
Balance at 31 December 2017	2,176,062	(25,519)	24,210	2,776	4,186,447	6,363,976	157,212	6,521,188

* These reserve accounts comprise the Group's reserves of HK$4,187,914,000 (As at 30 June 2017: HK$3,558,446,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2017

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 28 February 2018, 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 2017, 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 2017 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 2017.

The financial information relating to the financial year ended 30 June 2017 that is included in the interim financial statements for the six months ended 31 December 2017 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 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the 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.

2. ADOPTION OF NEW AND 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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

The Group has adopted a number of new and revised standards, amendments and interpretations which are effective for the Group's accounting periods beginning on or after 1 July 2017. The adoption of these new and revised standards, amendments and interpretations has no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of the Group's consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKFRS 9 "Financial instruments" (Continued)

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

– the classification and measurement of the Group's financial assets. The Group holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. The directors expect the majority of held-to-maturity ("HTM") investments to continue to be accounted for at amortised cost.

– the impairment of financial assets applying the expected credit loss model. This will apply to the Group's trade receivables and investments in debt-type assets currently classified as HTM. For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

– the measurement of equity investments at cost less impairment. All such investments will instead be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to HKFRS 9.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Currently, revenue arising from construction contracts and provision of services is recognised over time, whereas revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Timing of revenue recognition (Continued)

Under HKFRS 15, revenue is recognised when customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises from construction contracts. However, revenue for sales of properties is expected to be affected as follows:

Sale of properties: Currently, the Group's property development activities are carried out in Hong Kong and PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong and PRC, the Group has assessed that its property sales contracts will not meet the criteria for recognising revenue over time and therefore revenue from property sales will continue to be recognised at a point in time.

Currently, the Group recognises revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. The Group has assessed that under the transfer-of-control approach in HKFRS 15 revenue from property sales will generally be recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of property and obtain substantially all of the remaining benefits of the property. This may result in revenue being recognised later than at present.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

After HKFRS 16 is adopted, the Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. To conclude if a property has changed use, there should be an assessment of whether a property meets, or has ceased to meet, the definition of investment property and the supporting evidence that a change in use has occurred. A change in intention, in isolation, is not enough to support a transfer.

Amendments to HKAS 40 is effective for annual periods beginning on or after 1 January 2018.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

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 executive directors of the Company, being the chief operating decision makers who is responsible for allocating resources, assessing performance of the operating segments and making strategic decision, the executive directors consider 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 financial instruments and debentures

The chief operating decision makers assesses the performance of the operating segments based on the profit before income tax for the period.

3. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments as provided to the chief operating decision makers is set out below:

For the six months ended 31 December 2017 (Unaudited)

	Property sales	Property rental	Estate Management	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
From external customers	14,273	19,962	1,152	–	35,387
From other segments	–	420	8,127	–	8,547
Reportable segment revenue	14,273	20,382	9,279	–	43,934
Reportable segment profit	12,157	993,315	1,070	3,598	1,010,140
Other information:					
Interest income	4,732	2,249	–	2,373	9,354
Interest expense	–	15,675	–	–	15,675
Depreciation of property, plant and equipment	33	487	62	–	582
Increase in fair value of investment properties	–	984,194	–	–	984,194
Increase in fair value of financial assets at fair value through profit or loss	–	–	–	1,059	1,059
As at 31 December 2017 (Unaudited)					
Reportable segment assets	2,022,315	6,963,899	3,281	11,673	9,001,168
Reportable segment liabilities	319,872	272,070	393	–	592,335

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2016 (Unaudited)

	Property sales	Property rental	Estate Management	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
From external customers	1,645,748	21,201	903	–	1,667,852
From other segments	–	420	8,965	–	9,385
Reportable segment revenue	1,645,748	21,621	9,868	–	1,677,237
Reportable segment profit/(loss)	1,310,303	(8,859)	103	2,862	1,304,409
Other information:					
Interest income	3,663	1,712	–	–	5,375
Interest expense	–	11,426	–	–	11,426
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
As at 30 June 2017 (Audited)					
Reportable segment assets	2,895,267	4,977,441	3,319	15,143	7,891,170
Reportable segment liabilities	323,722	284,098	448	–	608,268

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment profit	**1,010,140**	1,304,411
Unallocated corporate income	**10,630**	7,903
Unallocated corporate expenses	**(28,773)**	(27,828)
Finance costs	**(16,159)**	(11,820)
Profit before income tax of the Group	**975,838**	1,272,666

4. OTHER INCOME, NET

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income from listed equity investments	**68**	385
Interest received	**6,981**	5,375
Interest received from other financial assets	**2,373**	–
Gain on disposal of financial assets at fair value through profits or loss	**583**	–
Gain on disposal of held-to-maturity investments	**1,888**	1,181
Sundry income	**692**	856
Exchange gain, net	**–**	492
	12,585	8,289

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest charges on:		
Bank loans	**10,847**	10,575
Advances from a director	**5,699**	5,321
Other incidental borrowing costs	**5,552**	4,200
Total finance costs	**22,098**	20,096
Less: Interest capitalised into investment properties and properties under development for sale	**(5,939)**	(8,276)
	16,159	11,820
(b) Other items		
Depreciation	**582**	743
Gain on disposal of financial assets at fair value through profit or loss	**(1,888)**	(1,181)
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**11,557**	11,389
Contribution to defined contribution plans	**151**	138

6. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the condensed consolidated interim financial statements as the Group has no assessable profit in Hong Kong for the six months ended 31 December 2017 (2016: 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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Overseas		
PRC enterprise income tax	**932**	138,503
PRC land appreciation tax	**5,740**	739,858
	6,672	878,361
Deferred taxation	**444,811**	(9,859)
Total income tax expense	**451,483**	868,502

7. DIVIDENDS

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK13.5 cents (2016: HK11 cents) per ordinary share	**73,816**	56,391
Proposed interim dividend of HK7.5 cents (2016: HK6.5 cents) per ordinary share	**42,002**	33,913
	115,818	90,304

7. DIVIDENDS (Continued)

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 2017, scrip dividend alternative was offered to shareholders in respect of 2017 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends:		
Cash	**16,137**	8,271
Share alternative *(Note 13)*	**57,679**	48,120
	73,816	56,391

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	**524,383**	405,507

8. EARNINGS PER SHARE (Continued)

Number of shares

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**537,267,371**	513,286,988
Effect of dilutive potential ordinary shares:		
Warrants	**1,426,362**	2,514,844
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**538,693,733**	515,801,832

9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR SALE

During the six months ended 31 December 2017, capital expenditure on additions of the investment properties was HK$52,553,000 (31 December 2016: HK$4,724,000), on properties under development for sale was HK$51,191,000 (31 December 2016: HK$41,153,000).

The valuations of investment properties and land and buildings held for own use carries at fair value were updated at 31 December 2017 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 31 December 2016 valuations. As a result of the update, a net gain of HK$984,194,000 (31 December 2016: net loss HK$20,958,000) has been recognised in the condensed consolidated statement of profit or loss.

Included in the net gain of HK$984,194,000, HK$660,337,000 from the change of properties held for sale in Shenzhen to investment properties to earn rental income.

10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2017 HK$'000 (Unaudited)	At 30 June 2017 HK$'000 (Audited)
Held-to-maturity debt securities, at amortised cost *(Note (a))*		
Debentures listed outside Hong Kong	**10,602**	18,126
Available-for-sale financial assets, at fair value *(Note (b))*		
Perpetual notes listed in Hong Kong	**123,160**	114,629
Perpetual notes listed in Singapore	**3,595**	–
Unlisted perpetual notes	**7,571**	–
	144,928	132,755

Note:

(a) The debentures carry interest at 6.75% to 12.00% per annum, payable semi-annually, and will mature in February 2020 to June 2025.

(b) The perpetual notes carry interest at a coupon rate of 4.45% to 7.75% per annum, payable semi-annually.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2017 HK$'000 (Unaudited)	At 30 June 2017 HK$'000 (Audited)
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities listed in Hong Kong	**11,673**	15,143

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2017 HK$'000 (Unaudited)	At 30 June 2017 HK$'000 (Audited)
Trade receivables	**981**	1,421
Prepayments, deposits and other receivables	**27,542**	28,800
	28,523	30,221

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 2017 HK$'000 (Unaudited)	At 30 June 2017 HK$'000 (Audited)
0 – 30 days	**416**	532
31 – 60 days	**37**	168
61 – 90 days	**33**	238
Over 90 days	**495**	483
	981	1,421

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 2017 and the year ended 30 June 2017.

13. SHARE CAPITAL

	Unaudited		Audited	
	As at 31 December 2017		As at 30 June 2017	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'000*
Voting ordinary shares:				
At the beginning of the period/year	**531,254,617**	**2,050,018**	501,276,582	1,910,644
Issue of shares pursuant to scrip dividend scheme *(Note 7)*	**13,108,791**	**57,679**	16,023,824	79,371
Issue of shares by exercise of warrants *(Note)*	**15,537,471**	**68,365**	13,954,211	60,003
At 31 December 2017 (Unaudited)	**559,900,879**	**2,176,062**	531,254,617	2,050,018

Note:

With reference to the Circular issued on 1 June 2017, and the announcement on 9 May 2017, the Board proposes the Bonus Warrants Issue for the Qualifying Shareholders on the basis of one Bonus Warrant for every twenty-seven existing shares of the Company held by the shareholders ("2018 June Warrants"). On 21 June 2017, the Company issued 19,676,096 units of 2018 June Warrants. The holders of 2018 June Warrants are entitled to subscribe at any time during 21 June 2017 to 21 June 2018 for fully paid shares of the Company at an initial subscription price of HK$4.40 per share (subject to adjustment). During the period, 15,537,471 (30 June 2017: Nil) new shares were issued upon exercise of 15,537,471 (30 June 2017: Nil) units of 2018 June Warrants. The remaining 4,138,625 (30 June 2017: 19,676,096) units will expire on 21 June 2018.

14. CAPITAL COMMITMENTS

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

	At 31 December 2017 *HK$'000* **(Unaudited)**	At 30 June 2017 *HK$'000* (Audited)
Authorised but not contracted for	**2,610,082**	2,308,735
Contracted but not provided for	**421,719**	369,524
	3,031,801	2,678,259

15. PLEDGE OF ASSETS

At 31 December 2017, the Group's total bank borrowings of HK$1,137,563,000 (30 June 2017 (Audited): HK$1,134,807,000) was secured by the following:

(i) legal charges on certain of the Group's investment properties, properties held for sale, land and building and financial assets at fair value through profit or loss with carrying values of HK$3,120,129,000 (30 June 2017 (Audited): HK$2,714,974,000), HK$432,046,000 (30 June 2017 (Audited): HK$424,797,000), HK$32,626,000 (30 June 2017 (Audited): HK$27,324,000) and HK$11,094,000 (30 June 2017 (Audited): HK$8,279,000) 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$2,247,000 (30 June 2017 (Audited): HK$4,677,000);

(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$6,515,000 (30 June 2017 (Audited): HK$18,126,000) and available-for-sale financial assets of HK$144,928,000 (30 June 2017 (Audited): HK$114,629,000).

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		Six months ended 31 December	
	Note	**2017**	2016
		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		**6,691**	6,226
Interest paid to Dr. Chao Sze-Tsung Cecil	(a)	**5,699**	5,321
Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") and Cecil Chao Design (Macau) Limited ("CCDML")	(b)	**20,030**	–
Commission paid to Szehope Securities Company Limited	(c)	**25**	18

(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 2017: 1% over prime interest rate in Hong Kong per annum). At 31 December 2017, the advances from Dr. Chao Sze Tsung Cecil amounted to HK$131,964,000 (30 June 2017 (Audited): HK$175,636,000). 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 and CCDML 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 and CCDML. These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited.

(d) 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 period or at any time during the period.

17. FAIR VALUE MEASUREMENT

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

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

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated interim 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 in 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).

17. FAIR VALUE MEASUREMENT (Continued)

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

	At 31 December 2017 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss				
Listed equity securities held for trading	**11,673**	**–**	**–**	**11,673**
Available-for-sale financial assets				
Perpetual notes	**126,755**	**7,571**	**–**	**134,326**
	138,428	**7,571**	**–**	**145,999**

	At 30 June 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss				
Listed equity securities held for trading	15,143	–	–	15,143
Available-for-sale financial assets				
Perpetual notes	114,629	–	–	114,629
	129,772	–	–	129,772

There were no transfers between Levels 1, 2 and 3.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the six months ended 31 December 2017 (the "Period") amounted to HK$35,387,000 (for the six months ended 31 December 2016: HK$1,667,852,000), a 97.9% decrease as compared with the same period last year. It was mainly due to the realized 362 units in Shenzhen during the same period last year which accounted for HK$1,645,748,000 revenue.

For property leasing, the Period recorded a decrease of 6.8% in rental income as compared with the corresponding year in 2016, amounting HK$19,962,000 (31 December 2016: HK$21,426,000).

Gross profit for the Period amounted to HK$23,270,000, a 98.3% decrease as compared with same period last year.

Other income recorded an increase of 51.8% to HK$12,585,000 when compared with last year (31 December 2016: HK$8,289,000). The other income for the Period were mainly attributed to dividend income, interest income and gain on disposal of held-to-maturity investments. Increase in fair value of financial assets at fair value through profit or loss amounted to HK$1,059,000 (31 December 2016: HK$1,272,000). Increase in fair value of investment properties amounted to HK$984,194,000 (31 December 2016: Decrease in fair value of HK$20,958,000). Administrative expenses decreased by 57.0% to HK$28,405,000 as compared with the same period last year. Finance costs increased by 36.7% to HK$16,159,000 as compared with the same period last year. The increase was mainly due to decrease in interest capitalised into investment properties and properties under development for sale during period. Income tax expenses decreased to HK$451,483,000 (31 December 2016: HK$868,502,000) which was mainly due to land appreciation tax and profit tax in China arisen from sale of properties in Shenzhen during the same period last year.

Profit attributable to owners of the Company for the Period was HK$524,383,000 (31 December 2016: HK$405,507,000). Basic earnings per share was HK$0.98 (31 December 2016: HK$0.79) and fully diluted earnings per share was HK$0.97 (31 December 2016: HK$0.79).

Final dividend of HK13.5 cents for the year ended 30 June 2017 (30 June 2016: HK11 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2017 final dividend.

The Board resolved an interim dividend for the six months ended 31 December 2017 of HK7.5 cents (31 December 2016: HK6.5 cents). Scrip dividend alternative was offered to shareholders in respect of the interim dividend for the six months ended 31 December 2017.

Total Equity Attributable to the Owners of the Company

As at 31 December 2017, the Group's total equity attributable to the owners of the Company amounted to approximately HK$6,363,976,000 (30 June 2017: HK$5,608,464,000), an increase of HK$755,512,000 or 13.5% when compared with 30 June 2017. With the total number of ordinary shares in issue of 559,900,879 as at 31 December 2017 (30 June 2017: 531,254,617 shares), the total equity attributable to the owners of the Company per share was HK$11.37, representing an increase of 7.7% compared to HK$10.56 as at 30 June 2017. 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 2017, the fair value of investment in listed securities in Hong Kong amounted to HK$11,673,000 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$4,529,000 and gain on fair value of HK$1,059,000. The investment in listed securities as at 31 December 2017 represented 0.1% (30 June 2017: 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 2017 and 30 June 2017 were 559,900,879 and 531,254,617 respectively.

Debt and Gearing

As at 31 December 2017, the Group's bank and other borrowings amounted to HK$1,279,045,000 (30 June 2017: HK$1,320,117,000). Cash and bank balances amounted to HK$873,784,000 (30 June 2017: HK$913,706,000) and net borrowing amounted to HK$405,261,000 (30 June 2017: HK$406,411,000).

Total debts to equity ratio was 20.0% (30 June 2017: 23.5%) and net debt to equity ratio was 4.8% (30 June 2017: 7.2%).

The decrease in the total debt to equity ratio and net debt to equity ratio were mainly due to increase net equity resulted from increase in fair value of investment properties

As at 31 December 2017, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK$1,279,045,000, 65.5%, 23.5%, 11.0% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively by reference to the repayment schedule of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to HIBOR.

Pledge of Assets

As at 31 December 2017, the Group's investment properties, properties for sale, land and building and financial assets at fair value through profit or loss with their respective carrying value of HK$3,120,129,000 (30 June 2017: HK$2,714,974,000), HK$432,046,000 (30 June 2017: HK$424,797,000), HK$32,626,000 (30 June 2017: HK$27,324,000) and HK$11,094,000 (30 June 2017: HK$8,279,000) 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$5,939,000 as compared to HK$8,276,000 for the same period last year. Interest expenses for the Period amounted to HK$16,159,000, representing 36.7% increase over the interest expenses of HK$11,820,000 recorded for the same period last year. The increase was mainly due to decrease in interest capitalised into investment properties and properties under development for sale during period. The average interest rate over the period under review was 2.1% (31 December 2016: 2.2%).

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 2017 and that valuation was used in preparing financial statements for the six months ended 31 December 2017. The Group's investment properties and investment properties under development were valued at HK5,395,819,000 and HK$1,567,258,000 respectively making the total HK$6,963,077,000 (30 June 2017: investment properties and investment properties under development were valued at HK$4,106,840,000 and HK$1,538,014,000 making the total HK$5,644,854,000). The increase in fair value of approximately HK$984,194,000 was credited to the condensed consolidated statement of profit or loss for the Period. The Group land and building held as a director's quarter carried at fair value were valued at HK$32,626,000 (30 June 2017: HK$27,324,000). Increase in fair value of HK$5,302,000 for the Period (30 June 2017: decrease HK$676,000) were recorded in property revaluation reserves. 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 2017, the Group employed a total of 49 (as at 31 December 2016: 48) 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. 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 Properties

The Hong Kong both residential and office market had a robust 2017 with price and transaction volume increased. Demand in the primary market still greater than supply despite the developers have actively launched new projects, while the secondary market was also driven by strong market sentiment.

In January 2018, the Legislative Council has passed a Stamp Duty Amendment Bill which allows home owners to hold two flats for a total of 12 months, up from the original six months proposed, to offload their first property to avoid paying the tax. The Stamp Duty Amendment Bill will increase the flexibility for owner-occupiers and is likely to stimulate more activities in the secondary market.

The progress of our projects is as follows:

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

   Construction of both Phase 1 and Phase 2 of the project are all completed. The determination of the previous main contractor Dao Kwei Kee Building & General Contractor Ltd. due to the contractor's financial problems led to the certificate of compliance of the development cannot be obtained by 31 January 2018. Notification were sent to all the purchasers and the government authorities and we will do our best to achieve the anticipated completion date for certificate of compliance as soon as possible.

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

   The occupancy rate maintained at 70%. Subdivision into smaller units for marketing purpose are under construction. Some renovation works for building elevation, driveway and carparks has been completed.

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

   The Group has recently engaged an exclusive agent to look for potential buyer for the whole development.

   The occupancy rate of the two blocks is 85% which contributed good rental income to the Group. The sub-division work of Unit A on the Ground Floor of Block 1 has commenced. The sub-division works of the remaining units will be commenced pending the expiry of the existing tenancy.

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

Renovation works for upgrading the quality of the two blocks of villas is still in progress. The residential price in the Peak area have achieve historical high record. We have appointed an exclusive agent to put the properties for public tendering.

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 determination of the previous main contractor Dao Kwei Kee Building & General Contractor Ltd. The new contractors has endeavor to rectify and to improve the works done by the previous contractor and the construction work is anticipated be completed this year.

China Properties

In the fourth quarter of 2017, property market remained stable in major cities of Mainland China. Cooling measures in the residential market continued in some major cities which is expected the price growth will be stabilized as compared with last year.

Shenzhen continue to keep strong economic growth leading most of other cities in China in 2017 with the growth in gross domestic product ranked second among all major Chinese cities.

After the 19th Party National Congress, the development of a long-term residential leasing market as the top government real estate development priority has been further confirmed. This has led to recent increase in en-bloc transactions on condominiums and apartments acquired by domestic institutional investors.

Cheuk Nang Garden

Longhwa, Shenzhen

All relevant approval and certificate including the 規劃及竣工驗收合格證 were issued during the year 2017. Most sold units were handed over to the buyers. The application procedures for initial registration for ownership documents has commenced. The sale and rental of the remaining units will be resumed after the interior decoration of the units is completed for marketing requirement. The leasing of the commercial portion of the development is now in progress.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The market price for residence in Yue Hang Qu, Hangzhou has increased substantially. Our investment for the property will bring good return.

The construction has already completed. The inspection by various governmental departments including fire services and human protection services is still in progress. It is anticipated the certificate for completion could be obtained by this year.

Macau Properties

According to the statistical data released by the Macau government recently, the transaction volume of residential properties in the first 10 months of 2017 has already exceeded those in 2016. The buyers mostly are local people and over 50% of those buyers are holding one or more residential units at the time concluded the transactions. This reflected that the upward trend for property market in Macau will carry forward to 2018.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

Application for change of land use was submitted to the Direcção dos Serviços de Solos, Obras Públicas e Transportes ("DSSOPT") on 20 November 2017 waiting for issuance of the draft change of land use contract. The preparation of detailed construction and structural drawings (projecto de obra) has commenced. An application for construction of site excavation was submitted to the government authorities pending for approval.

Malaysia properties

The demand for the residential properties remain steady in the fourth quarter of 2017. Despite the improvement in the economy situation and the unemployment rate, it is expected that there will be over 5,000 units of deluxe residential units completed in 2018 and the market will become very competitive.

Phase I "Parkview"

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

The renovation of the vacant serviced apartments has commenced and will be completed in stages. The rental market is relatively soft. We have appointed a new manager to strengthen the management and marketing for the serviced apartments.

Phase II "Cecil Central Residence"

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

The development recently submitted to the government for approval of Development Order is a completely new design of total built up gross floor area of 2,000,796.55 sq. ft. with three blocks of 70-storey concrete steel structure, one block of 20-storey fully automatic multi-storey car parks and one block of food court. The food court is conditional upon surrendered to the government after completion for ownership and operation which is a development condition reached with the government. The three blocks provides 1,129 residential units which includes 564 units of 650 sq. ft. to 799 sq. ft., 282 units of 800 sq. ft. to 1,499 sq. ft, 135 units of 1,500 sq. ft., 135 units of 2,500 sq. ft. and 13 units with 5,215 sq. ft. with attractive garden penthouse units at each blocks.

POLICY AND OUTLOOK

The Hong Kong's property market may remain cautiously optimistic in 2018, supported by rising confidence in economic growth, persistent low interest rates, and continuous inflow of Chinese capital. We expect, due to possible interest rate hikes in the U.S., property price increase is likely to be more moderate than in 2017.

Our investment in China, Macau and Malaysia is anticipated achieved satisfactory results in the years to come.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK7.5 cents (2016: HK6.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 4 April 2018. The interim dividend will be paid on 30 April 2018.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 26 March 2018 to 4 April 2018 (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 23 March 2018.

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 2017.

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, 2017. 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 2017. 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 2017, the interests and short positions of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Equity	Personal interest	Corporate interests
Chao Sze-Tsung Cecil	Ordinary Shares	26,733,992 shares	379,491,403 shares
	Warrants	–	–
Lee Ding Yue Joseph	Ordinary Shares	1,816,217 shares	–
	Warrants	67,267 units	–

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, 28 February 2018