CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

RESULTS
FOR THE YEAR ENDED 30 JUNE 2018

CHAIRMAN'S STATEMENT

I take pleasure to present to shareholders the report of Cheuk Nang (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 30 June 2018.

RESULTS AND DIVIDEND

The consolidated profit after income tax of our Group for the year ended 30 June 2018 is HK$611,607,000 (2017: HK$449,353,000) representing an increase of 36.1% comparing to last year. Details are set out in the consolidated statement of profit or loss.

The Directors resolved to recommend the payment of a final dividend of HK15.0 cents (2017: HK13.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 29 November 2018, which together with the interim dividend of HK7.5 cents (2017: HK6.5 cents) per share, makes a total distribution of HK22.5 cents (2017: HK20.0 cents) per share this year, representing an increase of 12.5% when comparing to last year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 27 December 2018.

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.

EXPIRY OF WARRANTS

The Warrants (warrant code: 1590) ("the 2018 June Warrants") was expired on 21 June 2018. There were a total number of 18,533,711 units of warrants exercised (being 94.19% of the total number of warrants issued) and a total number of 18,533,711 shares were issued.

REVIEW OF OPERATIONS AND PROSPECTS

Hong Kong Properties

The government has implemented a new set of initiatives targeting the housing problem and helping local buyers to get on the property ladder. However, due to shortage of supply and low interest rates, the effectiveness is yet to be known. The residential prices still continue to stand firm in the first half of the year 2018 and will turn stable in the second half of the year.

The progress of our projects in Hong Kong are as follows:-

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

   Residential project developed in two phases.

   Phase 1 comprised of a block of 21-storey building with 49 residential units (including 6 duplex units) and 39 car parking spaces. The gross floor area of the units ranged from 1,200 square feet to 3,500 square feet. 14 units has been sold and majority of other units are rented. The occupation permit has been issued.

   Phase 2 comprised of clubhouse, 31 car parking spaces and five 3-storey garden villas. The gross floor area of the villas ranged from approximately 1,800 square feet to 3,000 square feet. The clubhouse provides recreational facilities and swimming pool. Occupation Permit application has been submitted to the Buildings Department in early 2018. Unfortunately, due to the liquidation of the previous contractor, some of the structure and materials do not have certificates for verification. The Buildings Department has identified certain areas which required examination works to be carried out. The rectification works require part of the structure to be opened up for laboratory test. The new contractor has proceeded with the works diligently.

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

The University of Chicago Booth School of Business providing Executive MBA Program will be opened in Victoria Road near our property, the leasing demand in Victoria Road will be increased.

Residential development comprised of three blocks of 4-storey low density residential building provides 29 residential units. Ten units have been sold and the total remaining marketable gross floor area is 51,483 square feet. The gross floor area of the apartments ranged from approximately 1,221 square feet to 3,099 square feet.

During the year, Unit 3A of Block 2 was sold. The sale and purchase was completed in August 2018.

Unit A on the Ground Floor of Block 1 was selected to sub-divide into two smaller units. The building plans was approved by the Buildings Department and the construction work will commence upon receipt of consent. The occupancy rate of the remaining units maintained at 80% and generated satisfactory income.

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

Residential development comprised of two blocks of 4-storey building for rental purpose. The total marketable gross floor area is 97,000 square feet. Block 1 provides 11 residential units and Block 2 provides 32 units. The gross floor area of the apartments ranged from 760 square feet to 3,800 square feet.

During the year, the Group has issued tender inviting potential purchasers to tender for the entire Vila Cecil Phase III. The tender was closed on 24 August 2018. Although good responses are received, the tender price has not met with our reserved price.

The occupancy rate of the two blocks is 90% which contributed satisfactory rental income.

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

A residential premises comprised of two deluxe 3-storey residential villas, namely Villa Begonia and Villa Crocus. Each villa has its own private swimming pool, garden, internal lift and two car parking spaces.

The two villas will undergo a lift renovation in addition to the existing renovation works to upgrade the quality of the villas.

5. ***New Villa Cecil, No. 33 Cheung Chau Sai Tai Road, Cheung Chau***

A residential project developed into 2 phases with total marketable gross floor area approximately 58,000 square feet.

Phase I comprised of 19 blocks of 2-storey residential villas. The gross floor area of the villas ranged from 1,450 square feet to 2,700 square feet. Phase II comprised of 4 blocks of 2-storey residential villas. The gross floor area of the villas ranged from approximately 2,000 square feet to 12,000 square feet. Recreational facilities including swimming pool and landscape garden are provided.

The Occupation Permit of Phase I already issued and extensive renovation work is in progress. Leasing of Phase 1 will be commenced as soon as the Occupation Permit of Phase II is obtained.

6. ***South View Garden, 80 Shek Pai Wan Road, Aberdeen, Hong Kong***

The residential units of the building were all sold except 14 car parking spaces were retained for rental purpose. During the year, two car parking spaces were sold.

China Property

Cheuk Nang Garden

Longhwa, Shenzhen

On 5 June 2018, the Shenzhen Housing and Construction Bureau issued a draft plan for housing market reform in line with Xi Jinping's statement of "houses are for living, not for speculation". According to the plan, by 2035 Shenzhen's housing supply will reach 1.7 million units, which includes around one million units for welfare and public rental housing. Purchasing demand for the residential property market in Shenzhen remained stable in the first half of 2018.

67% of units in Block 1, 2, 4 and 7 have been sold and occupied in Cheuk Nang Garden. Some units in other blocks are marketing for rent.

The registration at the Shenzhen Real Estate Registration Center for obtaining the strata titles of all the units will be carried out batch by batch. Currently more than half of the Real Estate Registration Certificates were issued. The marketing of the commercial spaces is in progress and over 70% of the commercial spaces were leased out at satisfactory rate. The renovation of the clubhouse is completed. The operation of the swimming pool is pending for the licence. It is anticipated that after all the strata titles are received, we will apply for sales permit for marketing some of the remaining residential units.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The development comprised land area of 38,983 square metres (419,613 square feet). The total net floor area is 122,483 square metres (1,318,407 square feet) with multi-storey buildings provides 849 residential units, 22 deluxe villas by the riverside, 780 car parking spaces, clubhouse, recreational facilities and shopping centre. The size of the residential units and villas ranged from 65 square metres (700 square feet) to 270 square metres (2,906 square feet). The construction is completed. The inspection by various governmental departments is in progress. The property market at Yue Hang Qu, Hangzhou remain stable.

Macau Property

The residential market in Macau continues to remain active in the first half of 2018 which was reflected on the increase in transaction volume during the period. A majority of the purchasers are first-time buyers.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The building plan (ante projecto de obra) was approved. Jorge Neto Valente, our lawyer in Macau has submitted the application to the Macau government for a new land lease contract in November last year but upto now, the draft land lease contract and the amount of premium payable are not yet issued by the government. We have instructed our lawyer to follow up the matter closely.

The Stage 1 site formation excavation work was approved. Due to the impending gazettal of the new land lease, the consent to commence the work has not been issued.

Malaysia Property

I have been honoured to meet the new elected Prime Minister Mahathir Mohamad in July this year to present our investment in Malaysia to him. The conclusion of 14th General Election will see plausible return of confident. The Malaysian economy remain steady. During the first quarter of 2018, the labour market continued perform well with unemployment rate of 3.3%. To improve the sales target, the developers are going on property roadshows around the country to boost sales of new products and to clear existing stock. The three-month tax holiday following the zero rating of the Goods and Services Tax (GST) effective 1st June and the re-introduction of the Sales and Services Tax (SST) only on 1st September.

Phase I "Parkview"

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur

The development is a ready built 41-storey residential building providing 417 residential units and 163 car parking spaces. The total gross floor area is 325,626 square feet. Most units have already been sold. The remaining 27 unsold units are operated as serviced apartments. Renovation of the vacant serviced apartments has been commenced and will be completed in stages. The remainders are all rented out.

Phase II "Cecil Central Residence"

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

The development currently comprised of 4 blocks of residential condominium with total approved gross floor area is 1,708,648 square feet. The main podium is completed upto Level 5. The revised building plan was approved and we have obtained the amended Development Order recently. We are currently in the process to apply for amalgamation of the remaining lots of the project in order to fulfill the conditions of the amended Development Order.

INVESTMENT IN BONDS AND STOCK

Our total investment in Bonds market as at 30 June 2018 is HK$168,129,000. A total of HK$51,220,000 was purchased and HK$15,846,000 was sold during the year. The market price of our investment in the Hong Kong stocks as at 30 June 2018 is HK$7,128,000. During the year, a total of HK$7,242,000 stock was sold and HK$nil stock was purchased.

OUTLOOK

The Sino-US trade war is expected to negatively affect the Hong Kong local economy, especially on the financial and international trading sectors. Although the property supply still cannot meet with the demand, the real estate market will perform more stable.

The connection of the Hong Kong Section of the Express Rail Link on 23 September 2018 will benefit our Longhwa property as it shortened the travelling time between Hong Kong and Shenzhen and other main cities in China. The Shenzhen North Station of the Express Rail is located near Cheuk Nang Garden which will benefit our investment.

The opening of the bridge between Hong Kong and Macau will also benefit our investment in Macau.

DIRECTORS AND STAFF

The dedication of our directors and staff during the year are much appreciated. Due to the operation in China, member of our staff team are substantially increased.

By order of the Board
CECIL CHAO
Executive Chairman

Hong Kong, 24 September 2018

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

RESULTS

The Group's audited consolidated income statement for the year ended 30 June 2018 is listed as follows:

Consolidated Statement of Profit or Loss

For the year ended 30 June 2018

	Notes	2018 *HK$'000*	2017 *HK$'000*
Revenue	4	**68,350**	1,682,786
Direct costs		**(23,731)**	(432,394)
Gross profit		**44,619**	1,250,392
Other income	6	**49,575**	17,115
Changes in fair value of investment properties		**1,131,543**	74,213
Changes in fair value of financial assets at fair value through profit or loss		**(773)**	4,253
Administrative expenses		**(144,410)**	(125,712)
Finance costs	7	**(31,802)**	(22,963)
Profit before income tax	8	**1,048,752**	1,197,298
Income tax expense	9	**(437,145)**	(747,945)
Profit for the year		**611,607**	449,353
Profit for the year attributable to:			
Owners of the Company		**606,619**	440,660
Non-controlling interests		**4,988**	8,693
		611,607	449,353
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	11	**HK$1.10**	HK$0.86
Diluted	11	**HK$1.10**	HK$0.85

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**7,095,577**	5,644,854
Property, plant and equipment		**37,299**	31,199
Other non-current asset		**950**	950
Other financial assets		**168,129**	132,755
Deferred tax assets		**12,951**	11,732
		7,314,906	5,821,490
Current assets			
Properties under development for sale		**1,489,527**	1,422,132
Completed properties for sale		**504,750**	671,441
Financial assets at fair value through profit or loss		**7,128**	15,143
Trade and other receivables	12	**44,451**	30,221
Tax recoverable		**–**	68
Bank balances and cash		**724,022**	913,706
		2,769,878	3,052,711
Current liabilities			
Other payables	13	**344,989**	363,488
Amounts due to non-controlling shareholders		**239,990**	239,990
Amount due to a related company		**1,452**	1,468
Interest-bearing borrowings		**1,203,416**	489,791
Tax payable		**426,595**	420,818
		2,216,442	1,515,555
Net current assets		**553,436**	1,537,156
Total assets less current liabilities		**7,868,342**	7,358,646

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current liabilities			
Interest-bearing borrowings		**9,883**	654,690
Other payables	13	**–**	3,970
Advances from a director		**128,782**	175,636
Deferred tax liabilities		**1,187,248**	758,646
		1,325,913	1,592,942
Net assets		**6,542,429**	5,765,704
EQUITY			
Share capital		**2,221,269**	2,050,018
Reserves		**4,158,932**	3,558,446
Equity attributable to the owners of the Company		**6,380,201**	5,608,464
Non-controlling interests		**162,228**	157,240
Total equity		**6,542,429**	5,765,704

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. GENERAL INFORMATION

Cheuk Nang (Holdings) Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is disclosed in the Corporate Information section of the annual report and, its principal place of business is Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (the "Group") are controlled by Yan Yin Company Limited ("Yan Yin"), a limited liability company incorporated and domiciled in Hong Kong. At the reporting date, the directors consider the ultimate parent company of the Group is also Yan Yin.

The Group is principally engaged in property development and investment and provision of property management and related services.

The financial statements for the year ended 30 June 2018 were approved for issue by the board of directors on 24 September 2018.

2. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning or after 1 July 2017

In the current year, the Group has applied for the first time the following 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	Statement of Cash Flows: 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

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Statement of Cash Flows: Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. The application of these amendments has had no impact on the Group's consolidated financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the Group has not early adopted the following new and amended HKFRSs which are relevant to the Group's operations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlements[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective date not yet determined.

The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that the adoption is unlikely to have significant impact on the Group's results of operations and financial position, except for the following.

HKFRS 9 Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 July 2018. Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI").

The Group's financial assets measured at amortised cost, FVTPL and FVTOCI will not be significantly affected in respect of the accounting treatment upon adoption of HKFRS 9, except for held-to-maturing debt securities which will be classified from measured as amortised costs under HKAS 39 to FVTOCI under HKFRS 9.

(b) *Impairment*

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. The Group has assessed that the change in policy is not likely to have significant impact on the Group's consolidated financial statements based on a preliminary assessment.

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 from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

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:

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

(ii) 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;

(iii) 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.

However, sales of properties is expected to be effected as follows:

Currently, the Group's property development activities are carried out in Hong Kong, PRC, Malaysia and Macau. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong, PRC, Malaysia and Macau, 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.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group has started to assess the impact of HKFRS 15 and expects to apply HKFRS 15, in accordance with modified retrospective approach under which the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). The directors do not anticipate that the application of HKFRS 15 will have a material impact on the Group's consolidated financial statements but will result in more disclosures to be made in the consolidated financial statements.

HKFRS 16 Leases

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

Currently the Group classifies leases into 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 buildings 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 consolidated statement of profit or loss over the period of the lease. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$9,403,000 for buildings, the majority of which is payable between 1 and 2 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once 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 initial date of 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of properties

The best evidence of fair value is current prices in an active market for similar property in same location and condition and subject to lease and other contracts. In making its judgement, the Group considers information from a variety of sources including:

(i) the floor areas of the properties with respect to the consideration to the receivable from the independent and identified buyer;

(ii) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iv) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and using discount rate that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group's properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Survey Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties. The carrying amount of the investment properties and land and buildings as at 30 June 2018 are approximately HK$7,095,577,000 and HK$34,170,000 respectively (2017: HK$5,644,854,000 and HK$27,324,000 respectively).

Allowance for properties under development for sale

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses less estimated costs to completion of the properties). An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development for sale as at 30 June 2018 is approximately HK$1,489,527,000 (2017: HK$1,422,132,000). No impairment loss on properties under development for sale have been written down to net realisable value during the year ended 30 June 2018 (2017: Nil).

Allowance for completed properties for sale

Management exercises its judgment in making allowance for completed properties for sale with reference to the existing market environment and the estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling expenses. A specific allowance for completed properties for sale is made if the estimate market value of the property is lower than its carrying amount. The specific allowance for completed properties for sale is made based on the estimation of net realisable value on the completed properties. If the actual net realisable values of the completed properties for sale less than expected, as a result of change in market condition, write-down to net realisable value may result. The carrying amount of the completed properties as at 30 June 2018 is approximately HK$504,750,000 (2017: HK$671,441,000). No completed properties for sale have been written down to net realisable value during the year ended 30 June 2018 (2017: Nil).

Accounting for income taxes

The Group is subject to income taxes in Hong Kong, PRC, Malaysia and Macau. There are transactions and calculations for which the ultimate tax determination is uncertain. Significant management judgement is required in determining the provision of income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

In measuring the Group's deferred tax on investment properties measured at fair value, management of the Group have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. Deferred tax has been provided at tax rates that are expected to apply upon sales of the investment properties held by the subsidiaries of the Group in Hong Kong, Macau, Malaysia and the PRC.

For the properties in the PRC, the tax expenses on changes in fair value of investment properties and properties sales are recognised taking into account the land appreciation tax and enterprise income tax payable upon sales of those properties in the PRC. The land appreciation tax is determined based on management's best estimates according to the requirements set forth in the relevant PRC tax laws and regulations and provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures. As at 30 June 2018, deferred tax liabilities in relation to the fair value changes of investment properties of approximately HK$1,187,248,000 (2017: HK$758,646,000) have been recognised in the Group's consolidated statement of financial position as at 30 June 2018.

In addition, deferred tax assets of approximately HK$40,089,000 (2017: HK$38,818,000) in relation to tax losses have been recognised in the Group's consolidated statement of financial position as at 30 June 2018. The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. REVENUE

The Group's principal activities are disclosed in Note 1 to these consolidated financial statements. Revenue from the Group's principal activities recognised during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Properties sales	**21,948**	1,638,797
Gross rental income	**42,727**	42,166
Estate management income	**3,675**	1,823
	68,350	1,682,786

5. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision makers, have identified the Group's operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2018

	Properties sales *HK$'000*	Properties rental *HK$'000*	Estate management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
From external customers	**21,948**	**42,727**	**3,675**	**–**	**68,350**
From other segments	**–**	**840**	**17,658**	**–**	**18,498**
Reportable segment revenue	**21,948**	**43,567**	**21,333**	**–**	**86,848**
Reportable segment profit	**18,331**	**1,153,521**	**2,478**	**2,631**	**1,176,961**
Other information:					
Depreciation of property, plant and equipment	**66**	**1,312**	**454**	**–**	**1,832**
Interest income	**14,978**	**9,842**	**12**		**24,832**
Interest expense	**3,668**	**27,083**	**–**	**–**	**30,751**
Income tax expense	**8,085**	**429,060**	**–**	**–**	**437,145**
Increase in fair value of investment properties	**–**	**1,131,543**	**–**	**–**	**1,131,543**
Decrease in fair value of financial assets and liabilities at fair value through profit or loss	**–**	**–**	**–**	**(773)**	**(773)**
Reportable segment assets	**2,810,436**	**6,322,117**	**4,796**	**7,128**	**9,144,477**
Reportable segment liabilities	**204,340**	**264,090**	**850**	**–**	**469,280**
Additions to non-current segment assets (other than financial instruments) during the year	**99**	**203,731**	**140**	**–**	**203,970**

2017

	Properties sales *HK$'000*	Properties rental *HK$'000*	Estate management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
From external customers	1,638,797	42,166	1,823	–	1,682,786
From other segments	–	840	17,820	–	18,660
Reportable segment revenue	1,638,797	43,006	19,643	–	1,701,446
Reportable segment profit	1,225,470	96,717	565	7,330	1,330,082
Other information:					
Depreciation of property, plant and equipment	60	1,291	502	–	1,853
Interest income	7,535	5,467	2	–	13,004
Interest expense	–	22,228	–	–	22,228
Income tax expense/(credit)	783,494	(35,549)	–	–	747,945
Increase in fair value of investment properties	–	74,213	–	–	74,213
Increase in fair value of financial assets at fair value through profit or loss	–	–	–	4,253	4,253
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
Additions to non-current segment assets (other than financial instruments) during the year	54	68,486	104	–	68,644

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2018	2017
	HK$'000	*HK$'000*
Reportable segment revenue	**86,848**	1,701,446
Elimination of inter segment revenue	**(18,498)**	(18,660)
Revenue of the Group	**68,350**	1,682,786
Reportable segment profit	**1,176,961**	1,330,082
Unallocated corporate income	**46,713**	14,037
Unallocated corporate expenses	**(143,120)**	(123,858)
Finance costs	**(31,802)**	(22,963)
Profit before income tax of the Group	**1,048,752**	1,197,298

	2018	2017
	HK$'000	*HK$'000*
Reportable segment assets	**9,144,477**	7,891,170
Tax recoverable	**–**	68
Other corporate assets	**927,356**	971,231
Deferred tax assets	**12,951**	11,732
Total assets of the Group	**10,084,784**	8,874,201
Reportable segment liabilities	**469,280**	608,268
Tax payable	**426,595**	420,818
Other corporate liabilities	**1,459,232**	1,320,765
Deferred tax liabilities	**1,187,248**	758,646
Total liabilities of the Group	**3,542,355**	3,108,497

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**43,706**	43,089	**3,222,451**	4,154,872
The People's Republic of China ("PRC")	**23,481**	1,638,847	**2,336,017**	178
Macau	**–**	–	**1,232,186**	1,197,829
Malaysia	**1,163**	850	**343,172**	324,124
	68,350	1,682,786	**7,133,826**	5,677,003

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

The Company is an investment holding company and the principal place of the Group's operation is Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its place of domicile.

No revenue from transaction with single external customer is amounted to 10% or more for the Group's revenue for the year.

6. OTHER INCOME, NET

	2018	2017
	HK$'000	*HK$'000*
Dividend income from listed equity investments	**250**	559
Gain on disposal of financial assets at fair value through profit or loss	**2,612**	2,208
Gain on disposal of held-to-maturity investments	**527**	311
Interest received	**24,832**	13,004
Net exchange gain	**19,398**	–
Sundry income	**1,956**	1,033
	49,575	17,115

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and overdrafts	**28,425**	20,285
Advances from a director	**10,429**	11,032
Other payable	**942**	1,734
Bond	**734**	600
Other incidental borrowings costs	**4,324**	3,358
Total finance costs	**44,854**	37,009
Less: Interest capitalised into		
– Properties under development for sale *(Note)*	**(13,052)**	(14,046)
	31,802	22,963

Note: The borrowing costs have been capitalised to properties held for sale at a rate from 1.541% to 2.268% (2017: from 1.084% to 1.939%).

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	2018	2017
	HK$'000	*HK$'000*
Operating lease charges – Buildings	**4,521**	4,525
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**24,067**	22,336
Contribution to defined contribution plans	**873**	873
	24,940	23,209
Auditor's remuneration		
Current year	**712**	722
Prior year under-provision	**12**	10
	724	732
Depreciation	**1,832**	1,853
Direct outgoings in respect of investment properties that generate rental income	**13,747**	12,790
Direct outgoings in respect of investment properties that did not generate rental income	**1,090**	1,128
Net exchange loss	**–**	5,124

9. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group had no assessable profit in Hong Kong for the year ended 30 June 2018.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Overseas		
PRC enterprise income tax	**–**	163,285
PRC land appreciation tax	**6,786**	616,907
	6,786	780,192
Deferred tax		
Current year	**430,359**	(32,247)
Total income tax expense	**437,145**	747,945

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**1,048,752**	1,197,298
Tax at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	**173,044**	197,554
Tax effect of non-deductible expenses	**28,056**	40,268
Tax effect of non-taxable revenue	**(197,592)**	(15,766)
Tax effect of differences in overseas tax rates	**423,918**	(93,992)
Tax effect of unused tax losses not recognised	**3,021**	3,691
Tax effect of utilisation of unrecognised tax losses	**(88)**	(717)
PRC land appreciation tax	**6,786**	616,907
Income tax expense	**437,145**	747,945

10. DIVIDENDS

(a) Dividends attributable to the year

	2018 *HK$'000*	2017 *HK$'000*
Interim dividend of HK 7.5 cents (2017: HK 6.5 cents) per ordinary share	**42,091**	34,044
Proposed final dividend of HK 15.0 cents (2017: HK 13.5 cents) per ordinary share *(Note)*	**85,457**	71,726
	127,548	105,770

Scrip dividend alternative was offered to shareholders in respect of the 2018 and 2017 interim dividend. This alternative was accepted by the shareholders as follows:

	2018 *HK$'000*	2017 *HK$'000*
Dividends:		
Cash	**10,067**	2,794
Share alternative	**32,024**	31,250
	42,091	34,044

Note:

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, of HK 13.5 cents (2017: HK 11.0 cents) per ordinary share	**73,817**	56,392

Scrip dividend alternative was offered to shareholders in respect of the final dividend. This alternative was accepted by the shareholders as follows:

	2018	2017
	HK$'000	*HK$'000*
Dividends:		
Cash	**16,138**	8,271
Share alternative	**57,679**	48,121
	73,817	56,392

11. EARNINGS PER SHARE

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

Earnings

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	**606,619**	440,660

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purposes of basic earnings per share	**550,082,682**	514,948,160
Effect of dilutive potential ordinary shares:		
Warrants	**–**	1,472,981
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**550,082,682**	516,421,141

No dilated earnings per share is presented for 2018 as those was no potential ordinary share outstanding as at 30 June 2018.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
From third parties	**1,672**	1,421
Other receivables		
Prepaid expenses and utilities deposits	**17,399**	16,173
Prepaid other taxes	**1,162**	2,329
Other receivables	**24,218**	10,298
	42,779	28,800
	44,451	30,221

The trade receivables of the Group represent rental and management fee in arrears. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and tenants are required to pay deposits. All invoices are due upon presentation.

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Based on the debit note or invoice dates, the ageing analysis of the trade receivables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**403**	532
31-60 days	**4**	168
61-90 days	**45**	238
Over 90 days	**1,220**	483
	1,672	1,421

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 two years ended 30 June 2018 and 2017.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$1,672,000 (2017: HK$1,421,000) which are past due as at the reporting date for which the Group has not been provided. These receivables are related to a number of diversified debtors that has a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. Except for deposits received from tenants, the Group does not hold any other collateral over these balances.

13. OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Current liabilities		
Other payables		
Sales deposits received	**205,803**	218,732
Tenant deposits	**7,785**	7,378
Other payable and accruals	**131,401**	137,378
	344,989	363,488
Non-current liabilities		
Other payables		
Other payable	**–**	3,970

The carrying values of other payables are considered to be a reasonable approximation of their fair value.

In 2018, based on the PRC court orders, approximately HK$67,582,000 has been provided to compensate the buyers and included in the other payable as at 30 June 2018.

Other payables include additional stamp duty of HK$3,965,000 (2017: HK$7,263,000 and HK$3,970,000 in current and non-current portion respectively) in current portion. The effective interest rate of the stamp duty payable is 12% per annum (2017: 12%) and interest charge of HK$942,000 (2017: HK$1,734,000) have been recognised (Note 7).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial highlights

Revenue for the year ended 30 June 2018 (the "Year") amounted to HK$68,350,000 (Year ended 30 June 2017: HK$1,682,786,000), a 95.9% decrease as compared with last year. It was mainly due to realized 360 units in Shenzhen during last year which accounted for HK$1,638,797,000 revenue.

For property leasing, the Year recorded an increase of 1.3% in rental income as compared with the corresponding year in 2017, amounting HK$42,727,000 (2017: HK$42,166,000).

Gross profit for the Year amounted to HK$44,619,000, a 96.4% decrease as compared with last year.

Other income recorded an increase of 189.7% to HK$49,575,000 when compared with last year. The other income for the Year were mainly attributed to dividend income, interest income, gain on disposal of financial assets at fair value through profit or loss, gain on disposal of held-to-maturity investments and net exchange gain. Decrease in fair value of financial assets at fair value through profit or loss amounted to HK$773,000 (2017: Increase in fair value of HK$4,253,000). Increase in fair value of investment properties amounted to HK$1,131,543,000 (2017: HK$74,213,000). Administrative expenses increased by 14.9% to HK$144,410,000 as compared with last year. Finance costs increased by 38.5% to HK$31,802,000 as compared with last year. The increase was mainly due to decrease in interest capitalized into investment properties and properties under development for sale during year. Income tax expenses decreased to HK$437,145,000 (2017: HK$747,945,000) which was mainly due to land appreciation tax and profit tax in China arisen from sale of properties in Shenzhen during last year.

Profit attributable to owners of the Company for the Year was HK$606,619,000 (2017: HK$440,660,000). Basic earnings per share was HK$1.10 (2017: HK$0.86) and fully diluted earnings per share was HK$1.10 (2017: HK$0.85).

A final dividend of HK15.0 cents (2017: HK13.5 cents) was proposed together with the interim dividend of HK7.5 cents (2017: HK6.5 cents) a total of HK22.5 cents for the year ended 30 June 2018 (2017: HK20.0 cents). Scrip dividend alternative was offered to shareholders in respect of proposed final dividend.

Total equity attributable to the owners of the Company

As at 30 June 2018, the Group's total equity attributable to the owners of the Company amounted to approximately HK$6,380,201,000 (30 June 2017: HK$5,608,464,000), an increase of HK$771,737,000 or 13.8% when compared with 30 June 2017. With the total number of ordinary shares in issue of 569,710,858 as at 30 June 2018 (2017: 531,254,617 shares), the total equity attributable to the owners of the Company per share was HK$11.20, representing a increase of 6.1% 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 increase in fair value of investment properties but offset by increase in number of ordinary shares during the Year.

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 30 June 2018, the fair value of investment in listed securities amounted to HK$7,128,000 was classified as the financial assets at fair value through profit or loss. During the Year, the portfolio was decreased by a net disposal of HK$7,242,000 and loss on fair value of HK$773,000. The investment in listed securities as at 30 June 2018 represented 0.1% (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 30 June 2018 and 30 June 2017 were 569,710,858 and 531,254,617 respectively.

Debts and gearing

As at 30 June 2018, the Group's bank and other borrowings amounted to HK$1,342,081,000 (2017: HK$1,320,117,000). Cash and bank balances amounted to HK$724,022,000 (2017: HK$913,706,000) and net borrowing amounted to HK$618,059,000 (2017: HK$406,411,000).

Total debts to equity ratio was 21.0% (30 June 2017: 23.5%) and net debt to equity ratio was 9.7% (30 June 2017: 7.2%).

The increase in the total debt to equity ratio and net debt to equity ratio were mainly due to increase in bank borrowing during the year and decrease in cash and bank balances resulted from increase in investment in other financial assets during year.

As at 30 June 2018, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK$1,342,081,000, 89.7%, 9.6% and 0.7% 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 30 June 2018, 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$2,076,830,000 (2017: HK$2,714,974,000), HK$Nil (2017: HK$424,797,000), HK$34,170,000 (2017: HK$27,324,000) and HK$Nil (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 Year was HK$13,052,000 as compared to HK$14,046,000 for the last year. Interest expenses for the Year amounted to HK$31,802,000, representing 38.5% increase over the interest expenses of HK$22,963,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in bank loans interest and other borrowing cost during the Year. The average interest rate over the year under review was 3.0% (2017: 2.5%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property valuation

A property valuation has been carried out by Messrs. Roma Appraisals Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 30 June 2018 and that valuation was used in preparing 2018 financial statements. The Group's investment properties and investment properties under development were valued at HK$5,503,907,000 and HK$1,591,670,000 respectively making the total HK$7,095,577,000 (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$1,131,543,000 was credited to the statement of profit and loss for the Year. The Group land and building held for a director's quarter carried at fair value were valued at HK$34,170,000 (2017: HK$27,324,000). Increase in fair value of HK$6,846,000 for the Year 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 30 June 2018, the Group employed a total of 90 (as at 30 June 2017: 49) 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

The Group has appointed external professional firm to perform periodic review on the internal control of the Group. Current year review has completed and some minor weakness have been identified. The Group will carry out necessary procedures to improve these control weaknesses.

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.

KEY RELATIONSHIPS

Relationships with vendors

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

Relationships with customers

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

Relationships with employees

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

BUSINESS REVIEW

Hong Kong Properties

The government has implemented a new set of initiatives targeting the housing problem and helping local buyers to get on the property ladder. However, due to a shortage of supply and low interest rates, the effectiveness is yet to be know. The residential prices still continue to stand firm in the first half of the year 2018 and will turn stable in the second half of the year.

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. The occupation permit for Phase 1 has been obtained and application for Phase 2 has been submitted. Due to the liquidation of the previous contractors, some of the structure and materials do not have certificates for verification. The Building Department has identified certain areas which required examination works to be carried out. The rectification works require part of the structure to be opened up for laboratory test. The new contractor has proceeded with the works diligently.

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

   The occupancy rate of the three blocks is 80% which contributed good rental income to the Group. Unit 3A of Block 2 was sold and the sale and purchase was completed in August 2018. 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***

   During the year, the Group has issued tender inviting potential purchasers to tender for the entire Vila Cecil Phase III. The tender was closed on 24 August 2018. Although good responses are received, the tender price has not met with our reserved price.

   The occupancy rate of the two blocks is 90% which contributed good rental income to the Group.

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.

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

   Construction of Phase I has already been completed and occupation permit obtained. The leasing of Phase I will be commence when occupation permit for Phase II obtained.

China Properties

On 2 June 2018, the Shenzhen Housing and Construction Bureau issued a draft plan for housing market reform in line with Xi Jinping's statement of "house are for living, not for speculation". According to the plan, by 2035, Shenzhen's housing supply will reach 1,7 million units, which includes around one million units for welfare and public rental housing. Purchasing demand for the residential property market in Shenzhen remained stable in the first half of 2018.

Cheuk Nang Garden

Longhwa, Shenzhen

The registration at the Shenzhen Real Estate Registration Center for obtaining the strata titles of all the units has been carried out batch by batch. Currently more than half of the units have been registered and certificate obtained. Leasing of the commercial space have been carried out.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The construction has already completed. The inspection by various governmental departments is in progress.

Macau Properties

The residential market in Macau continues to remain active in the first half of 2018.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The building plan (ante projecto de obra) was approved. Application for change of land use was submitted in last November but the draft land lease contract and the amount of premium payable are not yet issued by the government.

Malaysia Properties

The Malaysia economy remain steady in 2018.

Phase I "Parkview"

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

The 27 units in Phase I are operated s service apartment. The renovation of the vacant serviced apartments has commenced and will be completed in stages.

Phases II "Cecil Central Residence"

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

The building plan was approved and amended Development Order obtained recently. development recently. Application for amalgamation of the remaining lots of the project are in process.

POLICY AND OUTLOOK

The Sino-Us trade war is expected to negatively affect the Hong Kong local economy, especially on the financial and international trading sectors. Although the property supply still cannot meet with the demand, the real estate market will perform more stable.

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

FINAL DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK15.0 cents (2017: HK13.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 29 November 2018, which together with the interim dividend of HK7.5 cents (2017: HK6.5 cents) per share, makes a total distribution of HK22.5 cents (2017: HK20.0 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 27 December 2018.

CLOSURE OF REGISTER

The register of members of the Company will be closed during the following periods:

(i) from Thursday, 15 November 2018 to Wednesday, 21 November 2018 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify to attend and vote at the 2018 Annual General Meeting, 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 4:00 p.m. on 14 November 2018.

(ii) From Tuesday, 27 November 2018 to Thursday, 29 November 2018 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the final 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 4:00 p.m. on 26 November 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

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 year ended 30 June 2018. 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except 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.

BOARD AUDIT COMMITTEE

The results for the year ended 30 June 2018 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Grant Thornton Hong Kong Limited and they have issued an unqualified opinion.

INFORMATION REQUIRED UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 30 June 2018 and 2017 included in the Announcement is derived from, but does not constitute the Company's statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 30 June 2017 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2018 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company's auditor has reported on the financial statements of the Group for both the years ended 30 June 2018 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 24 September 2018

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