CHEUK NANG (HOLDINGS) LIMITED

(Stock Code: 131)

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31/12/2018

CHEUK NANG (HOLDINGS) LIMITED

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

CHAIRMAN STATEMENT

RESULTS

I herewith announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2018 of our Group is HK$71.4 million (2017: HK$524.4 million) as set out in the unaudited consolidated income statement (representing a decrease of 86.4% 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 (2017: HK7.5 cents) which is the same as 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 2019.

REVIEW OF OPERATIONS

Hong Kong Properties

The residential market has changed a lot last year, with capital values show increased largely in the first to third quarters and decrease in the fourth quarter of 2018. Potential buyers are more pragmatic when making purchasing decisions and are more cautious to market price. When the market begins to show signs of drop back, many potential buyers will adopt a wait-and-see approach. Nevertheless, a few new sales projects put on the market recently with reasonable price have still obtained strong response.

The progress of our projects is as follows:

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

   Phase 1 has obtained Occupation Permit which consisted of 49 residential units, out of which 13 units are sold and 21 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. Due to the compulsory winding up of the previous main contractor Dao Kwei Kee Building & General Contractor Limited, most of the document and records relating to the structure and geotechnical information are not completed. We have put our best endeavor to prepare the missing documents including conducting various structural tests and concrete tests for submission to Buildings Departments to resolve the problem.

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

The occupancy rate maintained at 70%. Enhancement and upgrading work for three units in Phase 2 is in progress and will put to market thereafter.

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

The sub-division work of Unit A on the Ground Floor of Block 1 is still in progress. The occupancy rate of the two blocks has reached 95% which contributed good rental income to the Group.

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

The renovation of the two villas is completed.

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

Construction of Phase 1 has already been completed. Marketing for rental has commenced in November 2018 and over 70% of the villas in Phase 1 were leased out. The overall site improvement work and construction of Phase 2 is in progress.

China Properties

The persistent trade tensions between China and U.S.A. has affected the Gross Domestic Product ("GDP") and financial market. However, the Chinese government has already taken steps to counter the adverse effects. The recent cuts to bank's reserve rate requirement and to increase money supply in the financial system seems clear that the government's intention to support investment, internal expenditure and infrastructure investment.

Cheuk Nang Garden

Longhwa, Shenzhen

The registration for strata titles of all the units with the Shenzhen Real Estate Registration Centre were completed. We will launch a new sale of the existing units to market this year.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The construction of the development is completed. The inspection of fire, electricity, plumbing and drainage are already passed. We have commenced our legal action against 廣廈建設集團有限責任公司 regarding the serious delay in the construction works for both Shenzhen and Hangzhou projects. Owing to the disputes, they refused to sign the completion certificate and supplied the required documents and record for government inspection for completion of construction and issuance of relative certificate. It is expected the court will make order in due course.

Macau Properties

In the second half of the year 2018, the growth of gaming gross income has shown slow down. The property transaction and price remain relative steady with small fluctuation.

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 and is still waiting for issuance of the draft change of land use contract and payment of land premium. We have instructed our lawyer to follow up with the relevant authorities closely to speed up the progress.

Malaysia Properties

Malaysia's property price will continue to remain stable despite a decline in the transaction for residential sector.

Phase I "Parkview"

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

The renovation of the vacant serviced apartments is still in progress and will be completed in stages. The turnover of the apartment rental income remains stable.

Phases II "Cecil Central Residence"

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

The revised building plan was approved. We will continue to negotiate with government to obtain the best development potential.

INVESTMENT IN LISTED PERPETUAL NOTES, LISTED DEBENTURES AND HONG KONG STOCK MARKET

The investment in listed perpetual notes, listed debentures market as at 31 December 2018 was HK$166,589,000. During the period, a total of HK$Nil was sold and HK$Nil was purchased.

The market price of our investment in the Hong Kong stocks as at 31 December 2018 was HK$6,572,000. During the period, a total of HK$Nil stock was sold and of HK$Nil was purchased.

OUTLOOK

The trade dispute between China and USA has caused uncertainty for China and Hong Kong. The opening of the Guangzhou-Shenzhen-Hong Kong High Speed Rail Link and Hong Kong-Zhuhai-Macao Bridge in the third quarter of 2018 have shortened the travelling time and made it more convenient for Chinese visitors to travel to Hong Kong. As a result, the increase in visitors even more are day-trippers and will contribute to the retails market and tourism and benefit Hong Kong's economy. The land supply in Hong Kong cannot be satisfied by the demand in the near future. The low interest rate will continue to support Hong Kong property market. The recent consolidation of real estate price will cause market more healthy in long run.

China's real estate market is generally healthy and our Group's investment in the mainland will achieve good profit.

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 2019

RESULTS

The unaudited accounts of the Company and its subsidiaries (collectively referred to as the "Group") which have been reviewed by the Company's audit committee are listed as follows:

Condensed Consolidated Income Statement

For the six months ended 31 December 2018

		Six months ended 31 December	
	Note	**2018** *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenue	3	**29,408**	35,387
Direct costs		**(8,913)**	(12,823)
Gross profit		**20,495**	22,564
Other income, net	4	**15,819**	12,585
Change in fair value of investment properties		**338,255**	984,194
Change in fair value of financial assets at fair value through profit or loss		**(463)**	1,059
Administrative expenses		**(31,153)**	(28,405)
Finance costs	5a	**(15,526)**	(16,159)
Profit before income tax	5	**327,427**	975,838
Income tax expense	6	**(255,992)**	(451,483)
Profit for the period		**71,435**	524,355
Profit for the period attributable to:			
Owners of the Company		**71,006**	524,383
Non-controlling interests		**429**	(28)
		71,435	524,355
Earnings per share for profit attributable to the owners of the Company during the period	8		
Basic		**HK$0.12**	HK$0.98
Diluted		**HK$0.12**	HK$0.97

Condensed Consolidated Statement of Comprehensive Income

As at 31 December 2018

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**71,435**	524,355
Other comprehensive (expense)/income for the period, net of tax		
Item that will be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income (recycling)	**(1,553)**	–
Change in fair value of available-for-sales financial assets	**–**	534
Exchange (loss)/gain on translation of financial statements of foreign operations	**(132,680)**	173,712
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	**683**	5,575
Income tax relating to components of other comprehensive income	**(112)**	(920)
Other comprehensive (expense)/income for the period, net of tax	**(133,662)**	178,901
Total comprehensive (expense)/income for the period	**(62,227)**	703,256
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	**(62,656)**	703,284
Non-controlling interests	**429**	(28)
	(62,227)	703,256

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	**At 31 December 2018 *HK$'000* (Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	**7,274,419**	7,095,577
Property, plant and equipment		**38,075**	37,299
Other non-current asset		**950**	950
Other financial assets	10	**166,589**	168,129
Deferred tax assets		**14,053**	12,951
		7,494,086	7,314,906
Current assets			
Properties under development	9	**1,495,065**	1,489,527
Completed properties for sale		**498,803**	504,750
Other financial assets	10	**95,969**	–
Financial assets at fair value through profit or loss	11	**6,572**	7,128
Trade and other receivables	12	**45,758**	44,451
Bank balances and cash	13	**499,259**	724,022
		2,641,426	2,769,878
Current liabilities			
Other payables		**126,827**	344,989
Contract liabilities		**178,976**	–
Amounts due to non-controlling shareholders		**239,990**	239,990
Amount due to a related company		**1,403**	1,452
Interest-bearing borrowings		**1,162,725**	1,203,416
Tax payable		**426,152**	426,595
		2,136,073	2,216,442
Net current assets		**505,353**	553,436
Total assets less current liabilities		**7,999,439**	7,868,342

	Note	At 31 December 2018 HK$'000 (Unaudited)	At 30 June 2018 HK$'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings		**9,734**	9,883
Advances from a director		**152,882**	128,782
Deferred tax liabilities		**1,375,417**	1,187,248
		1,538,033	1,325,913
Net assets		**6,461,406**	6,542,429
EQUITY			
Share capital	14	**2,287,930**	2,221,269
Reserves		**4,010,819**	4,158,932
Equity attributable to the owners of the Company		**6,298,749**	6,380,201
Non-controlling interests		**162,657**	162,228
Total equity		**6,461,406**	6,542,429

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(106,993)**	59,130
Investing activities		
Additions of investment properties	**(24,448)**	(52,553)
Purchase of structured deposit	**(95,969)**	–
Proceeds from disposal of an investment property	**52,158**	–
Release of fixed deposits with original maturity of over three months placement	**156,115**	–
Other investing activities	**19,413**	(1,451)
Net cash generated from/(used in) investing activities	**107,269**	(54,004)
Financing activities		
Repayment of advances from a director	**24,100**	(43,672)
New bank and other loans raised	**20,000**	478,000
Repayment of bank loans	**(60,950)**	(478,780)
Other financing activities	**(18,796)**	52,228
Net cash (used in)/generated from financing activities	**(35,646)**	7,776
Net (decrease)/ increase in cash and cash equivalents	**(35,370)**	12,902
Cash and cash equivalents at 1 July	**518,393**	876,257
Effect of foreign exchange rate changes, on cash held	**(27,429)**	(52,318)
Cash and cash equivalents at 31 December, represented by cash at bank	**455,594**	836,841

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

	Equity attributable to the owners of the Company							
	Share capital *HK$'000* (Unaudited)	Exchange reserve* *HK$'000* (Unaudited)	Property revaluation reserve* *HK$'000* (Unaudited)	Available-for-sale financial assets revaluation* *HK$'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
Change in fair value of land and buildings held for own use	–	–	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 *(Note 7)*	–	–	–	–	(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

	Equity attributable to the owners of the Company							
	Share capital *HK$'000* (Unaudited)	Exchange reserve* *HK$'000* (Unaudited)	Property revaluation reserve* *HK$'000* (Unaudited)	Financial assets at fair value through other comprehensive reserve (recycling)* *HK$'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 2018	2,221,269	(80,850)	25,727	(12,536)	4,226,591	6,380,201	162,228	6,542,429
Profit for the period	–	–	–	–	71,006	71,006	429	71,435
Other comprehensive income/ (expenses) for the period								
Exchange loss on translation of financial statements of foreign operations	–	(132,680)	–	–	–	(132,680)	–	(132,680)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(1,553)	–	(1,553)	–	(1,553)
Change in fair value of land and buildings held for own use	–	–	683	–	–	683	–	683
Income tax relating to components of other comprehensive income	–	–	(112)	–	–	(112)	–	(112)
Total comprehensive (expense)/income for the period	–	(132,680)	571	(1,553)	71,006	(62,656)	429	(62,227)
2018 final dividend approved and paid *(Note 7)*	–	–	–	–	(85,457)	(85,457)	–	(85,457)
Issue of share capital:								
Pursuant to scrip dividend scheme	66,661	–	–	–	–	66,661	–	66,661
Balance at 31 December 2018	2,287,930	(213,530)	26,298	(14,089)	4,212,140	6,298,749	162,657	6,461,406

* These reserve accounts comprise the Group's reserves of HK$4,010,819,000 (As at 30 June 2018 (Audited): HK$4,158,932,000) in the condensed consolidated statement of financial position.

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 27 February 2019, 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 2018, 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 2018 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 2018.

The financial information relating to the financial year ended 30 June 2018 that is included in the interim financial statements for the six months ended 31 December 2018 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 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRS adopted as at 1 July 2018

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's condensed consolidated interim financial statements for the annual period beginning on 1 July 2018.

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(a) New and amended HKFRS adopted as at 1 July 2018 (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 will replace 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 ("ECL") model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of HKFRS 9 has impacted the following areas:

– management holds financial assets to hold and collect the associated cash flows and sale. A debenture listed outside Hong Kong previously classified as held-to-maturity investment at amortised cost under HKAS 39, now measured at fair value with gain or loss on fair value changes being recognised in other comprehensive income upon adoption in HKFRS 9, and its' fair value as at 1 July 2018 is not materially different from the fair value as at 30 June 2018.

– investment in listed debentures and listed perpetual notes to hold and collect the associated cash flows and sale, and previously classified as available-for-sale financial assets at fair value under HKAS 39, now measured at fair value with gain or loss on fair value changes being recognised in other comprehensive income upon adoption in HKFRS 9, and their fair values as at 1 July 2018 are not materially different from the fair value as at 30 June 2018.

– investments in listed equity securities held for trading, and previously classified as financial assets at fair value through profit or loss under HKAS 39 continue to be accounted for at fair value with gain or loss on fair value changes being recognised in profit or loss under HKFRS 9.

– HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

Besides, upon initial adoption of HKFRS 9 (i.e. 1 July 2018), the Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including bank balances and cash and trade and other receivables).

– financial assets with debts instruments at fair value through other comprehensive income ("FVTOCI") (including listed perpetual notes and listed debentures).

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(a) New and amended HKFRS adopted as at 1 July 2018 (Continued)

HKFRS 9 "Financial Instruments" (Continued)

For trade receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component, and do not have significant impact on the Group's unaudited condensed consolidated interim financial statements.

For other financial assets, the Group applies a general approach of recognising ECL, including bank balance and cash, other receivables, listed perpetual notes and listed debentures, and do not have significant impact on the Group's unaudited condensed consolidated interim financial statements.

The reclassifications and remeasurements made to balances recognised in the condensed consolidated statement of financial position at the date of initial application (1 July 2018) are summarised as follows:

	Measurement category			
	Original HKAS 39 category	**New HKFRS 9 category**	**30 June 2018 (HKAS 39)** *HK$'000*	**1 July 2018 (HKFRS 9)** *HK$'000*
Non-current financial assets				
Listed Debenture	Held-to-maturity at amortised cost	FVTOCI (recycling)	2,408	2,408
Listed Debentures	Available-for-sale at fair value	FVTOCI (recycling)	36,788	36,788
Listed Perpetual notes	Available- for-sale at fair value	FVTOCI (recycling)	128,933	128,933
			168,129	168,129
Current financial assets				
Trade and other receivables	Amortised cost	Amortised cost	44,451	44,451
Equity securities listed in Hong Kong	FVTPL	FVTPL	7,128	7,128
Bank balances and cash	Amortised cost	Amortised cost	724,022	724,022
			775,601	755,601
Total financial asset balances			**943,730**	**943,730**

There have been no change to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

The details of new significant accounting policies of financial instruments are set out in Note 2(c)(ii).

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(a) New and amended HKFRS adopted as at 1 July 2018 (Continued)

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 recognise 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 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits as at 1 July 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 July 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 July 2018):

	Carrying amount on 30 June 2018 under HKAS 18	Reclassification	Carrying amount on 1 July 2018 under HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payable	344,989	(190,457)	154,532
Contract liabilities	–	190,457	190,457

The contract liabilities primarily relate to the deposit received from buyers for sales of properties, for which revenue is recognised when the legal title has been transferred to the buyer.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated income statement and the condensed consolidated statement of cash flows for the six months ended 31 December 2018.

The details of new significant accounting policies of revenue are set out in Note 2(c)(i).

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments.

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 will replace HKAS 17 "Leases" 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 lease liability and 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 disclosed in Note 15(c), as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$7,760,000 for office premises, the majority of which is payable between 1 and 5 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 adoption of HKFRS 16 and the effects of discounting.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2018, except for the effects of applying HKFRS 15 and HKFRS 9.

(i) Revenue Recognition

Revenue arises from the sale of properties held for sale, rental income under operating leases and estate management income.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group has assessed that under the transfer-of-control approach in HKFRS 15, revenue from property sale generated by recognising upon the later of the signing of the sale and purchase agreement applications made by customers for house mortgage approved by banks, 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.

Rental income under operating leases is recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

Estate management income is recognised in the period when services are rendered.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies (Continued)

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the condensed consolidated income statement.

Financial assets are classified into the following categories:

– amortised cost

– FVTPL

– FVTOCI

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for provision of ECL of trade receivables which is presented within administrative expenses.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables and bank balances and cash fall into this category of financial instruments.

Financial assets at FVTOCI (recycling)

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

– they are held under a business model whose objective is hold to collect the associated cash flows and sale; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of assets. This category includes listed perpetual notes and listed debentures.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. This category includes structured deposit.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets (Continued)

Equity investment

Equity securities listed in Hong Kong is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment. The Group holds equity securities for trading purposes, therefore, the changes in fair value of the investments are recognised in profit or loss.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "other income" in profit or loss.

Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI and trade and other receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

"12-month ECL" are recognised for the first category while "lifetime ECL" are recognised for the second category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The adoption of HKFRS 9 do not have significant impact on the Group's condensed consolidated financial statements.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets (Continued)

Trade receivables

The Group applies a simplified model in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets measured at amortised cost and debt investments at FVTOCI

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets (Continued)

Other financial assets measured at amortised cost and debt investments at FVTOCI (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

For internal credit risk management, the Group has concluded that the impact of ECL on financial asset is insignificant as at 1 July 2018.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. The credit risk on listed perpetual notes and listed debentures are considered to be insignificant because of the issuers with high credit ratings assigned by international certain credit rating agencies.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, other payables, amounts due to non-controlling shareholder, amount due to related company and advances from a director.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

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 maker 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 derivative financial instruments and debentures.

The chief operating decision maker 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 maker is set out below:

For the six months ended 31 December 2018 (Unaudited)

	Property sales *HK$'000*	Property rental *HK$'000*	Estate management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
From external customers	1,701	24,531	3,176	–	29,408
From other segments	–	420	15,038	–	15,458
Reportable segment revenue	1,701	24,951	18,214	–	44,866
Reportable segment profit/(loss)	1,471	354,134	1,952	(463)	357,094
Other information:					
Interest income	8,428	6,325	–	–	14,753
Interest expense	–	15,039	–	–	15,039
Income tax expense	–	255,992	–	–	255,992
Depreciation of property, plant and equipment	13	984	195	–	1,192
Increase in fair value of investment properties	–	338,255	–	–	338,255
Decrease in fair value of financial assets at fair value through profit or loss	–	–	–	(463)	(463)
As at 31 December 2018 (Unaudited)					
Reportable segment assets	2,789,683	6,557,867	4,572	6,572	9,358,694
Reportable segment liabilities	231,836	260,992	930	–	493,758

3. SEGMENT INFORMATION (Continued)

The Group's principal activities are disclosed in above, and the revenue during the period is as follows:

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Property sales	**1,701**	14,273
Property rental	**24,531**	19,962
Estate management	**3,176**	1,152
	29,408	35,387

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical market:

	Six months ended 31 December 2018		
	Property sales	**Property rental**	**Estate management**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segments			
Geographical markets			
PRC	271	1,448	2,333
Hong Kong	1,430	22,225	843
Malaysia	–	858	–
	1,701	24,531	3,176

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2017 (Unaudited)

	Property sales *HK$'000*	Property rental *HK$'000*	Estate management *HK$'000*	Others *HK$'000*	Total *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
Income tax expense	6,672	444,811	–	–	451,483
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
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

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment profit	**357,094**	1,010,140
Unallocated corporate income	**15,703**	10,630
Unallocated corporate expenses	**(29,844)**	(28,773)
Finance costs	**(15,526)**	(16,159)
Profit before income tax of the Group	**327,427**	975,838

4. OTHER INCOME, NET

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income from listed equity investments	**116**	68
Interest received	**8,433**	6,981
Interest received from other financial assets	**6,320**	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
Sundry income	**905**	692
Exchange gain, net	**45**	–
	15,819	12,585

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest charges on:		
Bank loans	**15,491**	10,847
Advances from a director	**4,941**	5,699
Other incidental borrowing costs	**4,568**	5,552
Total finance costs	**25,000**	22,098
Less: Interest capitalised into investment properties and properties under development for sale	**(9,474)**	(5,939)
	15,526	16,159
(b) Other items		
Depreciation	**1,192**	582
Gain on disposal of financial assets at fair value through profit or loss	**–**	(1,888)
Loss on disposal of an investment property	**1,775**	–
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**10,807**	11,557
Contribution to defined contribution plans	**103**	151

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 2018 (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Overseas		
PRC enterprise income tax	**–**	932
PRC land appreciation tax	**–**	5,740
	–	6,672
Deferred taxation	**255,992**	444,811
Total income tax expense	**255,992**	451,483

7. DIVIDENDS

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK15 cents (2017: HK13.5 cents) per ordinary share	**85,457**	73,816
Proposed interim dividend of HK7.5 cents (2017: HK7.5 cents) per ordinary share	**43,891**	42,002
	129,348	115,818

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 2018, scrip dividend alternative was offered to shareholders in respect of 2018 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends:		
Cash	**18,796**	16,137
Share alternative *(Note 14)*	**66,661**	57,679
	85,457	73,816

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	
	2018	2017
	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	**71,006**	524,383

Number of shares

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**570,132,123**	537,267,371
Effect of dilutive potential ordinary shares:		
Warrants	**–**	1,426,362
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**570,132,123**	538,693,733

Diluted earnings per share is the same as basic earnings per share for six months ended 31 December 2018 as there was no potential ordinary shares outstanding as at 31 December 2018.

9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

During the six months ended 31 December 2018, capital expenditure on additions of the investment properties was HK$24,448,000 (31 December 2017: HK$52,553,000), on properties under development was HK$27,032,000 (31 December 2017: HK$51,191,000).

The valuations of investment properties and land and buildings held for own use carried at fair value were updated at 31 December 2018 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 31 December 2017 valuations. As a result of the update, a net gain on fair value change of HK$338,255,000 (31 December 2017: net gain on fair value change of HK$984,194,000) has been recognised in the condensed consolidated income statement.

During the six months ended 31 December 2018, disposal of an investment property at the carrying value of HK$53,933,000 (31 December 2017: HK$nil) at cash consideration of HK$52,158,000 after deducting direct legal and professional fees.

10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2018 *HK$'000* (Unaudited)	At 30 June 2018 *HK$'000* (Audited)
Non-current assets		
Financial assets at fair value through other comprehensive income:		
Perpetual notes, listed in Hong Kong *(Note b)*	**123,474**	–
Perpetual notes, listed outside Hong Kong *(Note c)*	**3,172**	–
Debentures, listed in Hong Kong *(Note d)*	**8,654**	–
Debentures, listed outside Hong Kong *((Note (a) and Note (e))*	**31,289**	–
	166,589	–
Held-to-maturity debt securities, at amortised cost		
Debenture *(Note a)*	**–**	2,408
Available-for-sale financial assets, at fair value		
Listed perpetual notes listed in Hong Kong at fair value *(Note b)*	**–**	125,346
Listed perpetual notes listed outside Hong Kong at fair value *(Note c)*	**–**	3,587
Listed debentures listed in Hong Kong at fair value *(Note d)*	**–**	8,807
Listed debentures listed outside Hong Kong at fair value *(Note e)*	**–**	27,981
	–	165,721
	–	168,129
Current assets		
Financial assets at fair value through profit or loss:		
Short-term investment *(Note f)*	**95,969**	–
	262,558	168,129

10. OTHER FINANCIAL ASSETS (Continued)

Note:

(a) A debenture listed outside Hong Kong earns interest of 7.50% per annum payable semi-annually, and mature in March 2020.

(b) The Group had investment in perpetual notes with principal amounts ranging from US$500,000 to US$10,000,000 listed in Hong Kong without fixed maturity date at floating rate of 7.75% with reset rate on reset date ranging from 5.72% plus mid-market swap rate and fixed rates ranging from 4.45% to 6.50% per annum, payable semi-annually.

(c) The Group acquired perpetual notes with principal amount of US$500,000 listed outside Hong Kong without fixed maturity date at a coupon rate of 5.25% per annum, payable semi-annually.

(d) The Group acquired two listed debentures with principal amounts of US$250,000 and US$1,000,000 listed in Hong Kong with maturity dates of 22 February 2020 and 31 January 2028 at a fixed coupon rates of 7.25% and 6.50% per annum, payable semi-annually, respectively.

(e) The Group acquired six listed debentures with principal amounts ranging from US$240,000 to US$2,500,000 with fixed maturity date ranging from 24 April 2021 to 28 June 2025 at a coupon rates ranging from 6.25% to 8.75% per annum, payable semi-annually.

(f) The structured deposit is placed with bank in PRC and contain embedded derivatives, of which are determined by reference to the change in certain interest rate for the range from 1.44% to 5.77% interest per annum quoted in the market.

(g) Financial assets at fair value through other comprehensive income have been pledged to secure banking facilities granted to the Group *(Note 16)*.

(h) The credit risk on listed perpetual notes and listed debentures are considered to be insignificant because of the issuers with high credit ratings assigned by international certain credit rating agencies.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong	**6,572**	7,128

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
Trade receivables		
From third parties	**1,151**	1,672
Other receivables		
Prepaid expenses and utilities deposits	**21,149**	17,399
Prepaid other taxes	**–**	1,162
Other deposits	**12,166**	12,776
Other receivables	**11,292**	11,442
	44,607	42,779
	45,758	44,451

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 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
0 – 30 days	**1,055**	403
31 – 60 days	**83**	4
61 – 90 days	**–**	45
Over 90 days	**13**	1,220
	1,151	1,672

Trade receivables are due upon presentation of invoices.

12. TRADE AND OTHER RECEIVABLES (Continued)

The Group has no significant concentration of credit risk, and sufficient rental deposits are held to cover potential exposure to credit risk.

Other deposits amounting to approximately HK$12,166,000 (equivalent to RMB10,775,000) paid to Housing and Construction Bureau of Shenzhen Municipality* ("深圳市住房和建設局") due to the regulatory requirement to property developer in the PRC and the credit risk of other deposits are considered to be low, therefore no ECL provided.

Other receivables included deposits paid to constructors to perform construct works for the Group's investment properties and properties under development. The credit risk of deposits paid are considered to be low, therefore the impact on ECL is considered as immaterial.

* The English translation of the name is for reference only. It's official name is in Chinese.

13. BANK BALANCES AND CASH

	At 31 December 2018	At 30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Pledged deposits	**4,148**	9,997
Fixed deposits	**39,517**	195,632
Cash at bank	**455,594**	518,393
Total	**499,259**	724,022

The fixed deposits earn 6% (30 June 2018 (Audited): 6%) interest per annum with an original maturity 6 months.

Included in bank and cash balances of the Group is HK$411,990,000 (30 June 2018 (Audited): HK$642,963,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The credit risk on pledged deposits, fixed deposits and cash at bank are considered to be insignificant because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

14. SHARE CAPITAL

	Unaudited As at 31 December 2018		Audited As at 30 June 2018	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'000*
Voting ordinary shares:				
At the beginning of the period/year	**569,710,858**	**2,221,269**	531,254,617	2,050,018
Issue of shares pursuant to scrip dividend scheme *(Note 7)*	**15,502,561**	**66,661**	19,922,530	89,703
Issue of shares by exercise of warrants *(Note)*	**–**	**–**	18,533,711	81,548
At 31 December 2018 (Unaudited)	**585,213,419**	**2,287,930**	569,710,858	2,221,269

Note:

No new warrant issue during this period.

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). For the year ended 30 June 2018, 18,533,711 new shares were issued upon exercise of 18,533,711 units of 2018 June Warrants. The remaining 1,142,385 units was expired on 21 June 2018.

15. COMMITMENTS

(a) Capital commitments

Capital commitments in respect of properties under development outstanding at the reporting date not provided for in the consolidated financial statements are as follows:

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
Contracted but not provided for	**309,339**	377,793

(b) Operating lease commitments – as lessor

At the reporting date, the Group had future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
Within one year	**25,998**	24,761
In the second to fifth years inclusive	**19,823**	8,348
	45,821	33,109

(c) Operating lease commitments – as lessee

At the reporting date, the total future aggregate minimum lease payments payable by the Group under non-cancellable operating leases in respect of buildings are as follows:

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
Within one year	**2,699**	2,993
In the second to fifth years inclusive	**5,061**	6,410
	7,760	9,403

16. PLEDGE OF ASSETS

At 31 December 2018, the Group's total bank borrowings of HK$1,162,725,000 (30 June 2018: HK$1,184,500,000) was secured by the following:

(i) legal charges on certain of the Group's investment properties and land and building with carrying values of HK$2,076,830,000 (30 June 2018 (Audited): HK$2,076,830,000) and HK$34,170,000 (30 June 2018 (Audited): HK$34,170,000) 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$4,148,000 (30 June 2018 (Audited): HK$9,997,000);

(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) financial asset at fair value through other comprehensive income of HK$166,589,000 (30 June 2018 (Audited): held-to-maturity investments of HK$2,408,000 and available-for-sale financial assets of HK$165,720,000).

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		Six months ended 31 December	
	Note	**2018** ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Unaudited)
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors		**7,031**	6,691
Interest paid to Dr. Chao Sze Tsung Cecil	(a)	**4,941**	5,699
Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") and Cecil Chao Design (Macau) Limited ("CCDML")	(b)	**22,050**	20,030
Commission paid to Szehope Securities Company Limited	(c)	**–**	25

17. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(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 2018: 1% over prime interest rate in Hong Kong per annum). At 31 December 2018, the advances from Dr. Chao Sze Tsung Cecil amounted to HK$152,882,000 (30 June 2018 (Audited): HK$128,782,000). 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 that will not affect the Group's ability to repay other creditors.

(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 reporting period or at any time during the period.

18. FAIR VALUE MEASUREMENT

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

18. FAIR VALUE MEASUREMENT (Continued)

The financial assets measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	At 31 December 2018 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets				
Financial assets at fair value through profit or loss:				
Listed equity securities held for trading	**6,572**	**–**	**–**	**6,572**
Structured deposit	**–**	**–**	**95,969**	**95,969**
Financial assets at fair value through other comprehensive income				
Listed perpetual notes	**–**	**126,646**	**–**	**126,646**
Listed debentures	**–**	**39,943**	**–**	**39,942**
	6,572	**166,589**	**95,969**	**269,130**

	At 30 June 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through profit or loss:				
Listed equity securities held for trading	7,128	–	–	7,128
Fair value through other comprehensive income:				
Available-for-sale assets	–	165,721	–	165,721
	7,128	165,721	–	172,849

18. FAIR VALUE MEASUREMENT (Continued)

Reconciliation of Level 3 fair value measurement of financial assets:

	Structured deposit
	HK$'000
At 1 July 2018	–
Purchases	95,969
At 31 December 2018	95,969

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

The valuation techniques and inputs used in Level 2 fair value measurements, is reference from the market price of the listed perpetual notes and the listed debentures as at 31 December 2018.

The valuation for Level 3 fair value measurements based at fair values based on valuation provided by the bank in the PRC. The fair value was calculated using discounted cash flow analysis based on the applicable yield curves of relevant interest rate.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the six months ended 31 December 2018 (the "Period") amounted to HK$29,408,000 (for the six months ended 31 December 2017: HK$35,387,000), a 16.9% decrease as compared with the same period last year. It was mainly due to decrease in sale of properties.

For property leasing, the Period recorded an increase of 22.9% in rental income as compared with the corresponding year in 2017, amounting HK$24,531,000 (31 December 2017: HK$19,962,000).

Gross profit for the Period amounted to HK$20,495,000, a 9.2% decrease as compared with same period last year.

Other income recorded an increase of 25.7% to HK$15,819,000 when compared with last year (31 December 2017: HK$12,585,000). The other income for the Period were mainly attributed to dividend income and interest income. Decrease in fair value of financial assets at fair value through profit or loss amounted to HK$463,000 (31 December 2017: gain of HK$1,059,000). Increase in fair value of investment properties amounted to HK$338,255,000 (31 December 2017: HK$984,194,000). Administrative expenses increased by 9.7% to HK$31,153,000 as compared with the same period last year. Finance costs decreased by 3.9% to HK$15,526,000 as compared with the same period last year. The decrease was mainly due to increase in interest capitalised into investment properties and properties under development for sale during period. Income tax expenses decreased to HK$255,992,000 (31 December 2017: HK$451,483,000) which was mainly due to decrease in land appreciation tax and profit tax in China arisen from sale of properties in Shenzhen.

Profit attributable to owners of the Company for the Period was HK$71,006,000 (31 December 2017: HK$524,383,000). Basic earnings per share was HK$0.12 (31 December 2017: HK$0.98) and fully diluted earnings per share was HK$0.12 (31 December 2017: HK$0.97).

Final dividend of HK15.0 cents for the year ended 30 June 2018 (30 June 2017: HK13.5 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2018 final dividend.

The Board resolved an interim dividend for the six months ended 31 December 2018 of HK7.5 cents (31 December 2017: HK7.5 cents). Scrip dividend alternative was offered to shareholders in respect of the interim dividend for the six months ended 31 December 2018.

Total Equity attributable to the Owners of the Company

As at 31 December 2018, the Group's total equity attributable to the owners of the Company amounted to approximately HK$6,298,749,000 (30 June 2018: HK$6,380,201,000), a decrease of HK$81,452,000 or 1.3% when compared with 30 June 2018. With the total number of ordinary shares in issue of 585,213,419 as at 31 December 2018 (30 June 2018: 569,710,858 shares), the total equity attributable to the owners of the Company per share was HK$10.76, representing a decrease of 3.9% compared to HK$11.20 as at 30 June 2018. The decrease in total equity attributable to owners of the Company per share was mainly attributable to profit attributable to owners of the Company but 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 Listed Perpetual Notes, Listed Debentures and Hong Kong Stock Market

As at 31 December 2018, the fair value of investment in listed perpetual notes, listed debentures and listed securities in Hong Kong amounted to HK$126,646,000, HK$39,943,000 and HK$6,572,000 respectively were classified as other financial assets and financial assets at fair value through profit or loss. During the Period, the portfolio was decreased by loss on fair value of HK$1,553,000 and HK$463,000 respectively. The investment in listed perpetual notes, listed debentures and listed securities as at 31 December 2018 represented 1.7% (30 June 2018: 1.7%) 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 2018 and 30 June 2018 were 585,213,419 and 569,710,858 respectively.

Debt and Gearing

As at 31 December 2018, the Group's bank and other borrowings amounted to HK$1,325,341,000 (30 June 2018: HK$1,342,081,000). Cash and bank balances amounted to HK$499,259,000 (30 June 2018: HK$724,022,000) and net borrowing amounted to HK$826,082,000 (30 June 2018: HK$618,059,000).

Total debts to equity ratio was 21.0% (30 June 2018: 21.0%) and net debt to equity ratio was 13.1% (30 June 2018: 9.7%).

The increase in the total debt to equity ratio and net debt to equity ratio were mainly due to decrease net equity.

As at 31 December 2018, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK$1,325,341,000, 36.4%, 12.0% and 51.6% 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 2018, the Group's investment properties, land and building and other financial assets with their respective carrying value of HK$2,076,830,000 (30 June 2018: HK$2,076,830,000), HK$34,170,000 (30 June 2018: HK$34,170,000) and HK$166,589,000 (30 June 2018: HK$168,129,000) 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$9,474,000 as compared to HK$5,939,000 for the same period last year. Interest expenses for the Period amounted to HK$15,526,000, representing 3.9% decrease over the interest expenses of HK$16,159,000 recorded for the same period last year. The decrease was mainly due to increase in interest capitalised into investment properties and properties under development for sale during period. The average interest rate over the period under review was 3.8% (31 December 2017: 2.1%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property Valuation

A property valuation has been carried out by Directors in respect of the Group's investment properties and certain property, plant and equipment as at 31 December 2018 and that valuation was used in preparing financial statements for the six months ended 31 December 2018. The Group's investment properties and investment properties under development were valued at HK$5,690,240,000 and HK$1,584,179,000 respectively making the total HK$7,274,419,000 (30 June 2018: investment properties and investment properties under development were valued at HK$5,503,907,000 and HK$1,591,670,000 making the total HK$7,095,577,000). The increase in fair value of approximately HK$338,255,000 was credited to the income statement for the Period. The Group land and building held as a director's quarter carried at fair value were valued at HK$34,170,000 (30 June 2018: HK$34,170,000). No changes in fair value for the Period (30 June 2018: increased in fair value of HK$6,846,000 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 2018, the Group employed a total of 89 (as at 31 December 2018: 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

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 residential market has changed a lot last year, with capital values show increased largely in the first to third quarters and decrease in the fourth quarter of 2018. Potential buyers are more pragmatic when making purchasing decisions and are more cautious to market price. When the market begins to show signs of drop back, many potential buyers will adopt a wait-and-see approach. Nevertheless, a few new sales projects put on the market recently with reasonable price have still obtained strong response.

The progress of our projects is as follows:

1. **One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan**
   Phase 1 has obtained Occupation Permit which consisted of 49 residential units, out of which 13 units are sold and 21 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. The construction progress mainly involved rectification of material defects identified during the inspection by Building Department, aimed at complying with conditions for the issue of occupation permit.

2. **Villa Cecil Phase II, 192 Victoria Road, Pokfulam**
   The occupancy rate maintained at 70%. Enhancement and upgrading work for three units is in progress and will put to market thereafter.

3. **Villa Cecil Phase III, 216 Victoria Road, Pokfulam**
   The occupancy rate of the two blocks is 95% which contributed good rental income to the Group. The sub-division work of Unit A on the Ground Floor of Block 1 is still in progress.

4. **Cheuk Nang Lookout, 30 Severn Road, The Peak**
   Renovation works for upgrading the quality of the two blocks of villas is completed.

5. **New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau**
   Construction of Phase 1 has already been completed. Marketing for rental has commenced in November 2018 and over 70% of the villas in Phase 1 were leased out. The construction work of the villas in Phase 2 is in progress.

China Properties

The persistent trade tensions between China an U.S.A. has affected the Gross Domestic Product ("GDP") and financial market. However, the Chinese government has already taken steps to counter the adverse effects. The recent cuts to bank's reserve rate requirement and to increase money supply in the financial system seems clear that the government's intention to support investment, internal expenditure and infrastructure investment.

Cheuk Nang Garden
Longhwa, Shenzhen
The registration for strata titles of all the units with the Shenzhen Real Estate Registration Centre were completed. We will launch a new sale of the existing units to market this year.

Cheuk Nang • Riverside
Yue Hang Qu, Hangzhou
The construction of the development is completed. We have taken legal action against the main contractor to obtain the documents and records required for government inspection for completion of construction and issuance of relative certificate.

Macau Properties

In the second half of the year 2018, the growth of gaming gross income has shown slow down. The property transaction and price remain relative steady with small fluctuation.

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 and payment of land premium. We have instructed our lawyer to follow up with the relevant authorities closely to speed up the progress.

Malaysia Properties

Malaysia's property price will continue to remain stable despite a decline in the transaction for residential sector.

Phase I "Parkview"
Lot 1359, Section 57, Lorong Perak, Kuala Lumpur, Malaysia
The renovation of the vacant serviced apartments is still in progress and will be completed in stages. The rental of the apartment remains stable.

Phases II "Cecil Central Residence"
Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur, Malaysia
The revised building plan was approved. We will continue to negotiate with government to obtain the best development potential.

POLICY AND OUTLOOK

The trade dispute between China and U.S.A. has caused uncertainty for China and Hong Kong. The opening of the Guangzhou-Shenzhen-Hong Kong High Speed Rail Link and Hong Kong-Zhuhai-Macau Bridge in the third quarter of 2018 has shortened the travelling time and made it more convenient for Chinese Visitors to travel to Hong Kong. As a result, the increase in visitors even more are day-trippers and will contribute to the retails market and tourism and benefit Hong Kong's economy. The land supply in Hong Kong cannot be satisfied by the demand in the near future. The low interest rate will continue to support Hong Kong property market. The recent consolidation of real estate price will cause market more healthy in Long run.

China's real estate market is generally healthy and our Group's investment in the mainland will achieve good profit.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK7.5 cents (2017: HK7.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 4 April 2019. The interim dividend will be paid on 3 May 2019.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 28 March 2019 to 4 April 2019 (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 27 March 2019.

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 2018.

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, 2018.

The interim financial statements for the six months ended 31 December 2018 have not been audited but have been reviewed by the Company's external auditor.

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 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 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 2018, 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 of	28,107,237 shares	399,705,976 shares
Lee Ding Yue Joseph	Ordinary Shares of	1,816,217 shares	–

Note: The shareholdings disclosed by Dr. Cecil Sze Tsung Chao under the heading "Corporate Interests" in the above represents the shares held by Yan Yin Company Limited and Szehope Securities Company Limited, substantial shareholders of the Company.

The Company did not grant to the Directors, Chief Executive or their associates any right to subscribe for shares in the Company.

Save as disclosed above, none of the Directors or their associates had any interest or short position in the shares of the Company or its subsidiaries as at 31 December 2018 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 2019