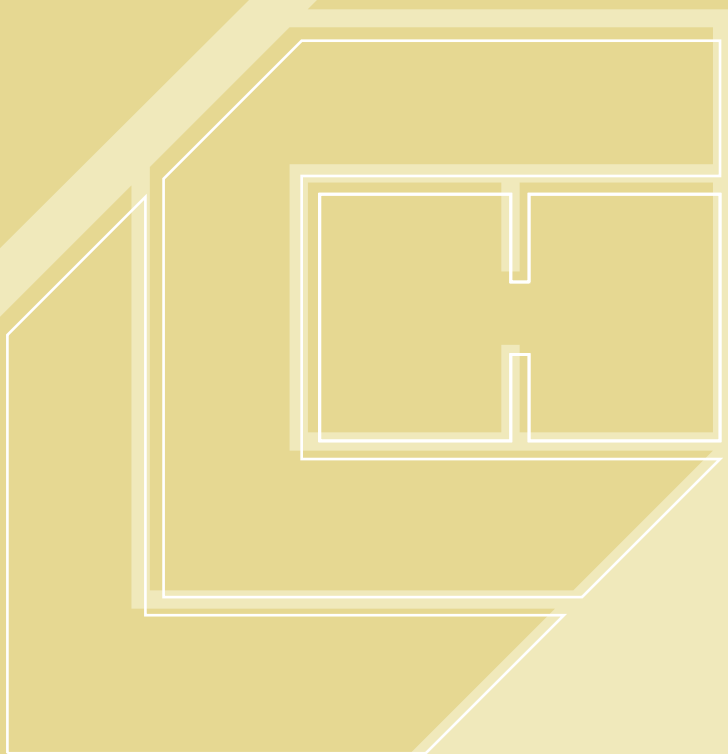




廖創興企業有限公司

Liu Chong Hing Investment Limited



STOCK CODE : 00194

2019
INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Liu Lit Chi

*(Chairman, Managing Director and
Chief Executive Officer)*

Mr. Liu Kam Fai, Winston

(Deputy Managing Director)

Mr. Liu Kwun Shing, Christopher

(also alternate director to Dr. Liu Lit Chung)

Mr. Lee Wai Hung

NON-EXECUTIVE DIRECTORS

Dr. Liu Lit Chung

MBBS (Lon), MRCP(UK), F.R.C.P. (Lon)
(passed away on 11 July 2019)

Mr. Kho Eng Tjoan, Christopher

BES. M. Arch, HKIA, RIBA, ARAIA, MRAIC,
Assoc. AIA, Registered Architect,
A.P. (Architect), MHKIoD

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheng Mo Chi, Moses

GBM, GBS, OBE, LLB (HK), J.P.

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John, PhD, BBS, J.P.

Mr. Cheng Yuk Wo

Msc (Econ), BA (Hons), CPA (Canada), CA, FCA, FCPA,
CPA (Practising)

Mr. Tong Tsun Sum, Eric

CA (Aust), CPA (Practising), CFE

COMPANY SECRETARY

Mr. Lee Wai Hung

AUDIT COMMITTEE

Mr. Cheng Yuk Wo *(Chairman)*

Dr. Cheng Mo Chi, Moses

Mr. Au Kam Yuen, Arthur

Mr. Tong Tsun Sum, Eric

Mr. Lee Wai Hung *(Secretary)*

NOMINATION COMMITTEE

Mr. Liu Lit Chi *(Chairman)*

Mr. Kho Eng Tjoan, Christopher

Mr. Cheng Yuk Wo

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John

Mr. Tong Tsun Sum, Eric

Mr. Lee Wai Hung *(Secretary)*

REMUNERATION COMMITTEE

Dr. Cheng Mo Chi, Moses *(Chairman)*

Mr. Kho Eng Tjoan, Christopher

Dr. Ma Hung Ming, John

Mr. Cheng Yuk Wo

Ms. Cavior Liu *(Secretary)*

CORPORATE GOVERNANCE COMMITTEE

Mr. Liu Kwun Shing, Christopher *(Chairman)*

Mr. Au Kam Yuen, Arthur

Dr. Ma Hung Ming, John

Mr. Liu Kam Fai, Winston

Mr. Lee Wai Hung

EXECUTIVE MANAGEMENT COMMITTEE

Mr. Liu Lit Chi *(Chairman)*

Mr. Liu Kam Fai, Winston

Mr. Liu Kwun Shing, Christopher

Mr. Lee Wai Hung

SOLICITORS

Deacons
Gallant
P. C. Woo & Co.

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

BANKERS

Australia and New Zealand Banking Group Limited
China CITIC Bank International Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
MUFG Bank, Limited
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited,
Hong Kong Branch

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FOSHAN OFFICE

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Nanhai District, Foshan
Guangdong Province, PRC
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Fax: (86757) 6386 2218
Email: foshan@lchi.com.cn

SHAREHOLDERS' INFORMATION

FINANCIAL CALENDAR

As at 8 August 2019

Annual General Meeting	:	Held on 16 May 2019
Interim Results for six-month ended 30 June 2019	:	Announced on 8 August 2019
Dividends		
Interim cash dividend	:	HK\$0.22 per share
Payable on	:	13 September 2019
Ex-dividend date of interim dividend	:	30 August 2019
Latest time to lodge transfer forms	:	4:30 p.m. on 2 September 2019
Closure of Register of Members	:	From 3 September 2019 to 5 September 2019 (both days inclusive)
Share Registrars and transfer office	:	Computershare Hong Kong Investor Services Limited Rooms 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Share listing	:	The Company's shares are listed on The Stock Exchange of Hong Kong Limited
Stock Code	:	00194
Board lot	:	2,000 shares
No. of issued ordinary share	:	378,583,440 shares
Company's e-mail address	:	info@lchi.com.hk
Investors and Shareholders contact	:	Attention: Mr. Lee Wai Hung/Ms. Hilda Chan 23rd Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong Tel: (852) 2983 7779 Fax: (852) 2983 7723 Website: http://www.lchi.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended	
		30 June	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3A		
Contracts with customers		604,790	232,449
Rental income		173,424	182,842
Interest and dividend income		42,809	46,346
		821,023	461,637
Direct costs		(411,306)	(167,642)
		409,717	293,995
Other income		7,286	7,949
Administrative and operating expenses		(109,580)	(91,081)
Other gains and losses	4	92,275	201,662
Finance costs		(17,739)	(11,839)
Share of results of joint ventures		10,989	38,614
		392,948	439,300
Profit before tax		392,948	439,300
Income tax expense	5	(82,566)	(29,675)
		310,382	409,625
Profit for the period	6	310,382	409,625
Profit for the period attributable to:			
Owners of the Company		298,180	403,714
Non-controlling interests		12,202	5,911
		310,382	409,625
Basic earnings per share	7	HK\$0.79	HK\$1.07

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	310,382	409,625
Other comprehensive expense		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value losses on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	(2,887)	(24,526)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(14,525)	(36,021)
Share of other comprehensive expense of joint ventures	(66)	–
Other comprehensive expense for the period (net of tax)	(17,478)	(60,547)
Total comprehensive income for the period	292,904	349,078
Total comprehensive income attributable to:		
Owners of the Company	281,835	344,723
Non-controlling interests	11,069	4,355
	292,904	349,078

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current assets			
Investment properties	9	8,787,689	8,701,400
Property, plant and equipment		123,467	124,079
Properties under development		1,277,956	1,244,922
Right-of-use assets		13,598	–
Interests in joint ventures		291,785	292,987
Investments in securities	10	582,070	584,607
Deferred tax assets		31,469	31,469
		11,108,034	10,979,464
Current assets			
Deposits paid for land use rights	11	440,775	–
Properties held for sale		777,652	860,707
Inventories		26,141	29,900
Trade and other receivables	12	245,645	88,667
Contract costs		38,493	20,305
Investments in securities	10	18,615	22,563
Taxation recoverable		30,100	33,458
Fixed bank deposits with more than three months to maturity when raised		506,964	18,347
Bank balances and cash		1,713,095	2,460,110
		3,797,480	3,534,057
Current liabilities			
Trade and other payables	13	520,077	244,799
Lease liabilities		5,314	–
Contract liabilities		41,969	539,128
Derivative financial instruments		734	218
Taxation payable		81,567	137,713
Borrowings — due within one year	14	1,416,387	867,818
		2,066,048	1,789,676
Net current assets		1,731,432	1,744,381
Total assets less current liabilities		12,839,466	12,723,845

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

AS AT 30 JUNE 2019

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current liabilities		
Rental deposits from tenants	57,830	56,105
Lease liabilities	8,422	–
Derivative financial instruments	9,479	7,252
Deferred tax liabilities	255,483	263,420
	331,214	326,777
	12,508,252	12,397,068
Equity		
Share capital	381,535	381,535
Reserves	12,051,353	11,951,238
Equity attributable to:		
Owners of the Company	12,432,888	12,332,773
Non-controlling interests	75,364	64,295
Total equity	12,508,252	12,397,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company									
	Share capital HK\$'000	Special reserve HK\$'000 (note a)	Property revaluation reserve HK\$'000 (note b)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory surplus reserve HK\$'000 (note c)	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	381,535	13,915	2,956,817	64,523	339,731	-	8,043,168	11,799,689	39,186	11,838,875
Profit for the period	-	-	-	-	-	-	403,714	403,714	5,911	409,625
Fair value losses on investments in equity instruments at FVTOCI	-	-	-	(24,526)	-	-	-	(24,526)	-	(24,526)
Exchange differences arising on translation of foreign operations	-	-	-	-	(34,465)	-	-	(34,465)	(1,556)	(36,021)
Other comprehensive expense for the period	-	-	-	(24,526)	(34,465)	-	-	(58,991)	(1,556)	(60,547)
Total comprehensive (expense) income for the period	-	-	-	(24,526)	(34,465)	-	403,714	344,723	4,355	349,078
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at FVTOCI	-	-	-	1,339	-	-	(1,339)	-	-	-
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(159,005)	(159,005)	-	(159,005)
At 30 June 2018 (unaudited)	381,535	13,915	2,956,817	41,336	305,266	-	8,286,538	11,985,407	43,541	12,028,948
Profit for the period	-	-	-	-	-	-	610,553	610,553	27,744	638,297
Fair value losses on investments in equity instruments at FVTOCI	-	-	-	(34,836)	-	-	-	(34,836)	-	(34,836)
Exchange differences arising on translation of foreign operations	-	-	-	-	(145,057)	-	-	(145,057)	(6,375)	(151,432)
Share of other comprehensive expense of joint ventures	-	-	-	-	(6)	-	-	(6)	-	(6)
Other comprehensive expense for the period	-	-	-	(34,836)	(145,063)	-	-	(179,899)	(6,375)	(186,274)
Total comprehensive (expense) income for the period	-	-	-	(34,836)	(145,063)	-	610,553	430,654	21,369	452,023
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at FVTOCI	-	-	-	(22,006)	-	-	22,006	-	-	-
Transferred from accumulated profits to statutory surplus reserve	-	-	-	-	-	29,062	(29,062)	-	-	-
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(83,288)	(83,288)	-	(83,288)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(615)	(615)
At 31 December 2018 (audited)	381,535	13,915	2,956,817	(15,506)	160,203	29,062	8,806,747	12,332,773	64,295	12,397,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company									
	Share capital	Special reserve	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(note a)	(note b)			(note c)				
Profit for the period	-	-	-	-	-	-	298,180	298,180	12,202	310,382
Fair value losses on investments in equity instruments at FVTOCI	-	-	-	(2,887)	-	-	-	(2,887)	-	(2,887)
Exchange differences arising on translation of foreign operations	-	-	-	-	(13,392)	-	-	(13,392)	(1,133)	(14,525)
Share of other comprehensive expense of joint ventures	-	-	-	-	(66)	-	-	(66)	-	(66)
Other comprehensive expense for the period	-	-	-	(2,887)	(13,458)	-	-	(16,345)	(1,133)	(17,478)
Total comprehensive (expense) income for the period	-	-	-	(2,887)	(13,458)	-	298,180	281,835	11,069	292,904
Transferred from accumulated profits to statutory surplus reserve	-	-	-	-	-	32,853	(32,853)	-	-	-
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(181,720)	(181,720)	-	(181,720)
At 30 June 2019 (unaudited)	381,535	13,915	2,956,817	(18,393)	146,745	61,915	8,890,354	12,432,888	75,364	12,508,252

Notes:

- Special reserve represents the difference between the consideration paid and the carrying values of the underlying assets and liabilities attributable to the additional interest in a subsidiary acquired during the years ended 31 December 2004 and 31 December 2012.
- Property revaluation reserve represents the reserve arising from valuation of properties under property, plant and equipment upon transfer to investment properties in previous years.
- The statutory surplus reserve ("SSR") is an appropriation from accumulated profits by subsidiaries of the Company in the People's Republic of China ("PRC"). In accordance with the Company Law of the PRC, the PRC subsidiaries of the Company are required to allocate 10% of their profit after tax to the SSR until such reserve reaches 50% of the registered capital of that subsidiary. The SSR may be converted to increase capital subject to certain restrictions set out in the Company Law of the PRC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(605,902)	622,218
INVESTING ACTIVITIES		
Addition of equity instruments at FVTOCI	–	(221)
Proceeds from disposal of equity instruments at FVTOCI	–	2,609
Purchase of property, plant and equipment	(5,587)	(3,940)
Repayment from a joint venture	12,125	3,465
Addition of investment properties	(3,984)	(3,767)
Addition of properties under development	(33,034)	(36,186)
Placement of fixed bank deposits with more than three months to maturity when raised	(830,066)	(718,762)
Release of fixed bank deposits with more than three months to maturity when raised	341,449	513,804
NET CASH USED IN INVESTING ACTIVITIES	(519,097)	(242,998)
FINANCING ACTIVITIES		
New borrowings raised	872,461	–
Repayments of borrowings	(318,532)	(274,386)
Repayments of lease liabilities	(2,359)	–
Dividends paid	(181,720)	(159,005)
Interest paid on borrowings	(17,533)	(19,294)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	352,317	(452,685)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(772,682)	(73,465)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,368,804	1,966,500
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,022)	(13,189)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY	1,590,100	1,879,846
Bank balances and cash	1,713,095	2,001,411
Restricted bank deposits	(122,995)	(121,565)
	1,590,100	1,879,846

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated 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 (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (the "Companies Ordinance").

The Company's auditor has reported on those consolidated 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(continued)

As a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Subsequently, adjustments to fair value are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES *(continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessee (continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$10,937,000 and right-of-use assets of HK\$10,937,000 at 1 January 2019.

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as adjusted above.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.3%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	29,680
Lease liabilities discounted at relevant incremental borrowing rates	25,966
Less: Recognition exemption — short-term leases	(15,029)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	10,937
Analysed as	
Current	3,086
Non-current	7,851
	10,937

Notes:

- (a) The carrying amount of right-of-use assets as at 1 January 2019 is relating to operating leases of land and buildings recognised upon application of HKFRS 16.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 January 2019.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect.

3A. REVENUE

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information is as follows:

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
Property development		
– Sale of properties	281,211	173,692
– Interior decoration services	270,802	–
Property management	11,179	10,333
Trading and manufacturing	34,521	42,679
Hotel operation	7,077	5,745
Revenue from contracts with customers	604,790	232,449
Property investment	173,424	182,842
Treasury investment		
– Interest income	27,041	22,139
– Dividend income	15,768	24,207
Total revenue	821,023	461,637

3A. REVENUE *(continued)*
For the six months ended 30 June 2019

	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Sale of properties	-	281,211	-	-	-	-	281,211
Interior decoration services	-	270,802	-	-	-	-	270,802
Property management	-	-	18,442	-	-	-	18,442
Trading and manufacturing	-	-	-	-	34,521	-	34,521
Hotel operation	-	-	-	-	-	7,077	7,077
Eliminations on inter-segment transactions	-	-	(7,263)	-	-	-	(7,263)
Revenue from contracts with customers	-	552,013	11,179	-	34,521	7,077	604,790
Property investment	175,547	-	-	-	-	-	175,547
Interest income	-	-	-	27,041	-	-	27,041
Dividend income	-	-	-	15,768	-	-	15,768
Eliminations on inter-segment transactions	(2,123)	-	-	-	-	-	(2,123)
Segment revenue	173,424	552,013	11,179	42,809	34,521	7,077	821,023

	Property development HK\$'000	Property management HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Geographical markets					
Hong Kong	-	11,179	-	-	11,179
PRC	552,013	-	34,521	7,077	593,611
Total	552,013	11,179	34,521	7,077	604,790
Timing of revenue recognition					
A point in time	281,211	-	34,521	-	315,732
Over time	270,802	11,179	-	7,077	289,058
Total	552,013	11,179	34,521	7,077	604,790

3A. REVENUE *(continued)* FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Sale of properties	-	173,692	-	-	-	-	173,692
Property management	-	-	16,956	-	-	-	16,956
Trading and manufacturing	-	-	-	-	42,679	-	42,679
Hotel operation	-	-	-	-	-	5,745	5,745
Eliminations on inter-segment transactions	-	-	(6,623)	-	-	-	(6,623)
Revenue from contracts with customers	-	173,692	10,333	-	42,679	5,745	232,449
Property investment	184,965	-	-	-	-	-	184,965
Interest income	-	-	-	22,139	-	-	22,139
Dividend income	-	-	-	24,207	-	-	24,207
Eliminations on inter-segment transactions	(2,123)	-	-	-	-	-	(2,123)
Segment revenue	182,842	173,692	10,333	46,346	42,679	5,745	461,637
	Property development HK\$'000	Property management HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Total HK\$'000		
Geographical markets							
Hong Kong	-	10,333	-	-	10,333		
PRC	173,692	-	42,679	5,745	222,116		
Total	173,692	10,333	42,679	5,745	232,449		
Timing of revenue recognition							
A point in time	173,692	-	42,679	-	216,371		
Over time	-	10,333	-	5,745	16,078		
Total	173,692	10,333	42,679	5,745	232,449		

3B. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation or assessment of segment performance focuses on types of goods and services delivered or provided. No operating segment identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Property investment — investment and letting of properties
2. Property development — sale of properties and interior decoration services
3. Property management — provision of property management services
4. Treasury investment — dealings and investments in securities and other financial instruments
5. Trading and manufacturing — manufacture and sale of magnetic products
6. Hotel operation — management and operation of hotels

3B. SEGMENT INFORMATION *(continued)*
SEGMENT REVENUE AND RESULTS

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

	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000
For the six months ended 30 June 2019			
Segment revenue	175,547	552,013	18,442
Comprising:			
— revenue from customers	173,424	552,013	11,179
— inter-segment transactions (note)	2,123	-	7,263
Operating expenses	(72,255)	(383,003)	(10,430)
Gain on changes in fair value of investment properties	93,516	-	-
Gain on changes in fair value of financial assets at fair value through profit or loss ("FVTPL")	-	-	-
Loss on changes in fair value of derivative financial instruments	-	-	-
Loss on disposal of property, plant and equipment	-	(322)	-
Net exchange (losses) gains	(665)	(483)	19
Segment profit	196,143	168,205	8,031
Share of results of joint ventures			
Finance costs			
Profit before tax			

note: Inter-segment transactions are charged at prevailing market prices.

Treasury investment HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
42,809	34,521	7,077	830,409	(9,386)	821,023
42,809	34,521	7,077			
-	-	-			
(19,542)	(31,957)	(5,799)	(522,986)	9,386	(513,600)
-	-	-	93,516	-	93,516
3,852	-	-	3,852	-	3,852
(2,836)	-	-	(2,836)	-	(2,836)
-	-	-	(322)	-	(322)
(806)	-	-	(1,935)	-	(1,935)
23,477	2,564	1,278	399,698	-	399,698
					10,989
					(17,739)
					392,948

3B. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUE AND RESULTS *(continued)*

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

	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000
For the six months ended 30 June 2018			
Segment revenue	184,965	173,692	16,956
Comprising:			
– revenue from customers	182,842	173,692	10,333
– inter-segment transactions (note)	2,123	–	6,623
Operating expenses	(63,045)	(129,375)	(9,641)
Gain on changes in fair value of investment properties	208,766	–	–
Loss on changes in fair value of financial assets at FVTPL	–	–	–
Loss on changes in fair value of derivative financial instruments	–	–	–
Loss on disposal of property, plant and equipment	–	(14)	–
Net exchange gains (losses)	296	(3,566)	41
Segment profit	330,982	40,737	7,356

Share of results of a joint venture

Finance costs

Profit before tax

note: Inter-segment transactions are charged at prevailing market prices.

Segment profit represents the profit earned by each segment without allocation of share of results of joint ventures and finance costs. In addition, the Group's administrative costs are allocated to respective operating segments on the basis of revenues earned by individual operating segments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purpose, the Group has not included total asset information as part of segment information.

Treasury investment HK\$'000	Trading and manufacturing HK\$'000	Hotel operation HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
46,346	42,679	5,745	470,383	(8,746)	461,637
46,346	42,679	5,745			
-	-	-			
(12,040)	(39,803)	(5,616)	(259,520)	8,746	(250,774)
-	-	-	208,766	-	208,766
(211)	-	-	(211)	-	(211)
(4,910)	-	-	(4,910)	-	(4,910)
-	-	-	(14)	-	(14)
1,260	-	-	(1,969)	-	(1,969)
30,445	2,876	129	412,525	-	412,525
					38,614
					(11,839)
					439,300

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Gain on changes in fair value of investment properties	93,516	208,766
Gain (loss) on changes in fair value of financial assets at FVTPL	3,852	(211)
Loss on changes in fair value of derivative financial instruments	(2,836)	(4,910)
Net exchange losses	(1,935)	(1,969)
Loss on disposal of property, plant and equipment	(322)	(14)
	92,275	201,662

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	7,333	7,911
PRC Enterprise Income Tax	56,530	15,348
	63,863	23,259
Dividend withholding tax	15,777	-
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(30)	-
PRC Enterprise Income Tax	200	140
	170	140
PRC Land Appreciation Tax ("LAT")	10,694	4,200
Deferred taxation	(7,938)	2,076
	82,566	29,675

5. INCOME TAX EXPENSE (continued)

Notes:

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

- (b) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.
- (c) The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Staff costs including directors' emoluments	62,658	48,863
Depreciation of property, plant and equipment	7,694	5,727
Depreciation of right-of-use assets	2,291	–
Operating lease rentals in respect of land and buildings	1,938	3,814

7. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company of HK\$298,180,000 (six months ended 30 June 2018: HK\$403,714,000) and on 378,583,440 (30 June 2018: 378,583,440) ordinary shares in issue during the period.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue during both periods.

8. DIVIDENDS

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared and paid for 2018 — HK\$0.48 per share (2018: declared and paid for 2017 HK\$0.42 per share)	181,720	159,005
Dividend declared in respect of current period:		
Interim dividend declared for 2019 — HK\$0.22 per share (2018: HK\$0.22 per share)	83,288	83,288

On 8 August 2019, the Board of Directors has approved an interim cash dividend of HK\$0.22 per share (2018: HK\$0.22 per share), which will be paid to the Company's shareholders whose names appear on the Register of Members on 5 September 2019.

9. MOVEMENTS IN INVESTMENT PROPERTIES

On 30 June 2019 and 31 December 2018, independent valuations were undertaken by Vigers Appraisal & Consulting Ltd., an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

The valuations have been arrived at using direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions or, where appropriate, by capitalising the market rentals of all lettable units of the properties by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

The resulting gain on changes in fair value of investment properties of approximately HK\$93,516,000 (six months ended 30 June 2018: HK\$208,766,000) has been recognised directly in profit or loss.

10. INVESTMENTS IN SECURITIES

	Financial assets at FVTPL HK\$'000	Equity instruments at FVTOCI HK\$'000	Total HK\$'000
30 June 2019			
Listed equity securities	18,615	228,917	247,532
Unlisted equity securities	–	302,312	302,312
Perpetual capital securities	–	50,841	50,841
	18,615	582,070	600,685
Analysed as:			
Listed in Hong Kong	18,615	279,758	298,373
Unlisted	–	302,312	302,312
	18,615	582,070	600,685
Analysed for reporting purpose as:			
Non-current assets			582,070
Current assets			18,615
			600,685
	Financial assets at FVTPL HK\$'000	Equity instruments at FVTOCI HK\$'000	Total HK\$'000
31 December 2018			
Listed equity securities	14,814	227,198	242,012
Unlisted equity securities	–	306,289	306,289
Structured products	7,749	–	7,749
Perpetual capital securities	–	51,120	51,120
	22,563	584,607	607,170
Analysed as:			
Listed in Hong Kong	14,814	278,318	293,132
Unlisted	7,749	306,289	314,038
	22,563	584,607	607,170
Analysed for reporting purpose as:			
Non-current assets			584,607
Current assets			22,563
			607,170

11. DEPOSITS PAID FOR LAND USE RIGHTS

As at 30 June 2019, deposits of RMB387,750,000 (approximately HK\$440,775,000) were paid to acquire the land use rights of a site located in Foshan, PRC with a site area of approximately 33,670 square meters. The directors of the Company expect that the relevant land use rights certificates would be granted in due course.

12. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Trade receivables	23,902	23,535
Deposits paid	9,144	10,015
Loan receivables	1,204	5,228
Prepayments and other receivables (note)	211,395	49,889
	245,645	88,667

note: As at 30 June 2019, a deposit of HK\$162,500,000 in relation to the acquisition of land use rights from PRC bureau is included in other receivables. The amount is interest-free and has been refunded to the Group subsequently.

The Group's credit policy allows its trade customers an average credit period of 30–90 days, other than proceeds from sales of properties which are settled in accordance with the terms of the sale and purchase agreements. The aged analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within 30 days	7,151	7,307
Between 31 days to 90 days	9,570	12,660
Over 90 days	7,181	3,568
	23,902	23,535

13. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Trade payables	8,449	7,985
Construction costs and retention payables	407,758	129,195
Deposits received and receipt in advance in respect of rental of investment properties	82,425	81,743
Other payables	21,445	25,876
	520,077	244,799

13. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of trade payables based on the invoice date:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within 30 days	8,449	7,985

14. BORROWINGS

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Amounts due within one year		
– Secured bank borrowings	1,097,397	789,453
– Unsecured bank borrowings	300,000	30,000
– Amounts due to non-controlling shareholders	18,990	48,365
	1,416,387	867,818

During the current period, the Group obtained bank loans of approximately HK\$872,461,000 (31 December 2018: HK\$51,716,000) and repaid bank loans of approximately HK\$295,000,000 (31 December 2018: HK\$413,212,000). The proceeds were used for general working capital purposes.

15. CAPITAL COMMITMENTS

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– Property, plant and equipment/properties under development/investment properties	23,126	28,006
– Others	19,259	19,609

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
30 June 2019				
Financial assets at FVTPL				
Listed equity securities	18,615	-	-	18,615
Equity instruments at FVTOCI				
Listed equity securities	228,917	-	-	228,917
Unlisted equity securities	-	-	302,312	302,312
Perpetual capital securities	-	50,841	-	50,841
Total	247,532	50,841	302,312	600,685
Financial liabilities at FVTPL				
Derivative financial instruments	-	10,213	-	10,213

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
31 December 2018				
Financial assets at FVTPL				
Listed equity securities	14,814	-	-	14,814
Structured products	-	7,749	-	7,749
Equity instruments at FVTOCI				
Listed equity securities	227,198	-	-	227,198
Unlisted equity securities	-	-	306,289	306,289
Perpetual capital securities	-	51,120	-	51,120
Total	242,012	58,869	306,289	607,170
Financial liabilities at FVTPL				
Derivative financial instruments	-	7,470	-	7,470

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*
**FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT
FAIR VALUE ON A RECURRING BASIS** *(continued)*

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

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchanges.

The fair values of perpetual capital securities are determined based on indicative prices provided by the dealers and brokers. In addition, the Group makes comparison of the indicative prices with the prices obtained from pricing services providers to substantiate the indicative prices of these securities. The key inputs used in the valuation models are the interest rate data, which are observable at the end of the reporting period. The objective of valuation models is to arrive at a fair value estimation that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The fair values of structured products were calculated using discounted cash flows analysis derived from quoted interest rates, which were observable at the end of the reporting period.

The fair values of unlisted equity securities are determined with reference to market values of underlying assets, which mainly comprise investment properties located in Hong Kong held by the investees and take into account the discount for lack of marketability. The valuation of the properties was principally arrived at using the comparison method, in which property is valued on the assumption that the property can be sold with the benefit of vacant possession. Comparison based on prices realised on actual sales of comparable properties is made for similar properties in the similar location.

The fair values of cross currency swap contract and currency forward contracts are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between JPY and HK\$, which are observable at the end of the reporting period.

The directors of the Company consider that the carrying amounts of the Group's other financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	Unlisted equity securities HK\$'000
Balance at 1 January 2019	306,289
Total net losses recognised in other comprehensive income	(3,977)
Balance at 30 June 2019	302,312
Balance at 1 January 2018	342,230
Total net gains recognised in other comprehensive income	2,503
Purchases	221
Disposals	(2,609)
Balance at 30 June 2018	342,345

The majority of the Group's investments are valued based on quoted market information or observable market data. A small percentage, 2.0% (31 December 2018: 2.1%), of total assets of the Group, is based on estimates and recorded as financial assets at level 3 fair value measurements. Whilst such valuations are sensitive to estimate, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a significant impact on the Group's financial position.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE MEASUREMENTS AND VALUATION PROCESS

The management performs regular reviews to determine the appropriate valuation techniques and inputs for fair value measurement and valuation process.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers or other service providers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The respective management team reports the findings to the Board of Directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

17. RELATED PARTY DISCLOSURES

(A) RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Leases/expenses paid and payable to directors of the Company or its affiliates	450	450
Repayment of lease liabilities/rental expenses	672	–

The Group had no other material significant transactions with related parties.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The emoluments of key management personnel of the Group during the period were as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Short-term benefits	24,693	23,976
Post-employment benefits	1,725	1,440
	26,418	25,416

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF LIU CHONG HING INVESTMENT LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Liu Chong Hing Investment Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

8 August 2019

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim cash dividend for 2019 of HK\$0.22 per share (2018: HK\$0.22 per share), payable on Friday, 13 September 2019 to the Company's shareholders registered on Thursday, 5 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 3 September 2019 to Thursday, 5 September 2019, both days inclusive. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged for registration with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 2 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 30 June 2019, the Group recorded unaudited consolidated profit of approximately HK\$310.4 million, comparing to that of 2018 amounted to approximately HK\$409.6 million, representing a decrease of approximately 24%. The change was mainly due to less property revaluation gains of HK\$115.3 million recorded for the period under reviews.

Revenue mainly referred to the revenues generated from property investment, property development, property management, treasury investment, trading & manufacturing and hotel operation.

Other income referred to various miscellaneous incomes other than the main revenue.

Other gains and losses mainly comprised of gain on changes in fair value of investment properties and net exchange gains (losses).

PROPERTY INVESTMENT

OVERALL RENTAL REVENUE

For the period ended 30 June 2019, the Group recorded gross rental revenue of approximately HK\$173.4 million, decreased by approximately HK\$9.4 million from approximately of HK\$182.8 million in the corresponding period of 2018, representing a decrease of 5.1%.

OVERALL OCCUPANCIES

The Group's overall occupancy from major investment properties maintained at 88.7% as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROPERTY INVESTMENT *(continued)*

HK PROPERTIES

Chong Hing Square

Chong Hing Square, located at 601 Nathan Road Mongkok, is a 20-storey ginza-type retail/commercial development offers over 182,000 square feet of retail and commercial space. For the period ended 30 June 2019, Chong Hing Square generated rental revenue of approximately HK\$58.9 million, increased by HK\$1.8 million from approximately of HK\$57.1 million in the corresponding period of 2018. The increase of rental revenue was due to rental revision. As at date of board meeting, the building was 100% occupied.

Chong Hing Bank Centre

Chong Hing Bank Centre, located at 24 Des Voeux Road Central, is a 26-storey Grade A office building. Having retained several floors for Company's use, the office building was leased to Chong Hing Bank Limited for 5 years fixed tenancy with option to renew for another 5 years. The renewal of the tenancy agreement is under negotiation.

Chong Yip Centre

Chong Yip Centre is located at 402–404 Des Voeux Road West. It provides over 54,000 square feet of retail and commercial space. For the period ended 30 June 2019, this retail and commercial shopping center generated rental revenue of approximately HK\$8.9 million, decreased by 14.5% when comparing to the corresponding period of 2018. The management had approved to revamp the property in order to get higher rental return. Notice to quit to existing tenants was duly served and all the tenants had already moved out by the end of June 2019. The construction works, scheduled to be completed in 18 months, will be commenced in the third quarter of 2019.

Fairview Court

Fairview Court is located at 94 Repulse Bay Road. The Group owns 5 units, each of areas over 4,100 square feet, luxury apartment on a low-rise building. For the period ended 30 June 2019, Fairview Court recorded rental revenue of approximately HK\$3.5 million (it recorded HK\$1.9 million after rental elimination) with 100% occupancy as at 30 June 2019.

PRC PROPERTIES

Chong Hing Finance Center, Shanghai

The Group's mainland flagship property located at 288 Nanjing Road West in Huang Pu District of Shanghai is a 36-storey Grade A commercial building which commands a strategic location and enviable view over The People's Square just across the street. With a total floor area of over 516,000 square feet of office and commercial spaces and 198 carparks, this property was approximately 78% let in terms of office space and 100% let in terms of retail space as at period end. For the period ended 30 June 2019, this office building recorded a 13% decrease of rental income from HK\$75.5 million in the period of 2018 to HK\$65.7 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROPERTY DEVELOPMENT

HONG KONG

ONE-EIGHT-ONE Hotel & Serviced Residences

The previous office building (formerly known as Western Harbour Center), located at 181–183 Connaught Road West, was converted into a 183-room hotel and serviced residences. Construction work was practically completed and the occupation permit has been obtained in March 2019. Subject to obtaining the hotel license, the hotel will be scheduled to open and in full operation in the third quarter of 2019.

PRC

The Grand Riviera, Foshan

This comprehensive development situated at 1 Guilong Road, Luocun in the Nanhai District of Foshan, is conveniently located within half an hour's drive from the Foshan financial district and within 5 minutes' drive from the new Foshan West Station.

Development Status

This Foshan residential project is a comprehensive development and is developed by phases. The whole project, including Phase 1 to Phase 4, was completed and handover for occupation in September 2018.

Financial and Sale results

For the period ended 30 June 2019, the Group recorded sale revenue of approximately HK\$552.0 million of which 199 residential units were sold and recognized under consolidated statement of profit or loss. The sale was mainly referred to the sale of Phase 4 and the renovation.

As at the date of board meeting, a total of 5,087 residential units out of total 5,264 units (representing 97%) and a total of 1,194 carpark units out of total 4,669 units (representing 26%) were successfully sold out fetching accumulated sale proceeds of approximately HK\$5.4 billion.

The management forecasts that further sale proceeds of approximately HK\$1.6 billion would be received if all unsold properties including residential units, carparks and retail shops were sold under current market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROPERTY DEVELOPMENT *(continued)*

PRC *(continued)*

Acquisition of Land-use Rights in Sanshui District

The Group, through an indirect wholly owned subsidiary, Top New Investment Limited, acquired a piece of land at Sanshui district of Foshan by open land auction on 15 May 2019 for cash consideration of RMB775.5 million. The site area of the land is approximately 33,670.06 sq.m. with plot ratio of 3.2 times, making the accommodation value of RMB7,198 per sq.m.

The management considers that the consideration for the land is fair and reasonable having taking into account the minimum bid conditions set by Foshan Public Resources Center, current market conditions, as well as the location and development potential of the land. The management has been actively studying various design and construction schemes.

BUDGET HOTEL PROJECT

Since 2008, the Group started to operate budget hotel business in Shanghai, Beijing and Guangzhou. All of these budget hotels are managed by and under the brand name of Hanting. For the period ended 30 June 2019, hotel revenue increased by 24% from approximately of HK\$5.7 million in 2018 to approximately HK\$7.1 million in 2019. Due to the restructuring of the business strategy, the Group had sold the budgeted hotels at Shanghai and Beijing in 2016, only the hotel in Guangzhou remains in operation.

SHARE OF RESULTS OF JOINT VENTURES

During the year of 2018, the Group teamed up with the same joint venture partner, in addition to the investment in 2017, to acquire one more warehouse (now in total 3 warehouses) in Japan and one manufacturing plant in Australia. The management regarded the investment would bring the Group's a stable rental return together with a long term appreciation of properties. For the period ended 30 June 2019, the share of results of joint ventures of approximately HK\$11 million, under equity accounting, represented the 50% share of net asset value of the investment which included the annual rental revenue and asset revaluation gain.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests of the directors and the Chief Executive Officer in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

THE COMPANY – LIU CHONG HING INVESTMENT LIMITED

Name of director	Long/short position	Number of ordinary shares held			Total interests	Total interests as approximate % of the relevant issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)		
Mr. Liu Lit Chi	Long	24,000	–	200,597,000 (notes 1 and 2)	200,621,000	52.99%
Mr. Liu Kam Fai, Winston	Long	2,756,867	–	–	2,756,867	0.72%
Dr. Liu Lit Chung	Long	–	–	132,326,710 (note 1)	132,326,710	34.95%

notes:

- 132,326,710 shares in the Company are beneficially held by Liu's Holdings Limited, of which Mr. Liu Lit Chi and Dr. Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated under the corporate interests for each of these directors.
- Alba Holdings Limited, of which Mr. Liu Lit Chi and his associates are shareholders, beneficially holds 68,270,290 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Chi.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2019, so far as is known to the Company, the following persons (other than the directors or the Chief Executive Officer of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Long/short position	Capacity	No. of ordinary share held	% of the issued share capital
Liu's Holdings Limited	Long	Beneficial owner	132,326,710 (note 1)	34.95%
Alba Holdings Limited	Long	Beneficial owner	68,270,290 (note 2)	18.03%

notes:

1. Liu's Holdings Limited, a private company incorporated in Hong Kong, is owned by, amongst others, Mr. Liu Lit Chi and Dr. Liu Lit Chung. Such corporate interests are also disclosed in the sub-section under "Directors' interests in Share Capital of the Company and its Associated Corporations".
2. Alba Holdings Limited, a private company incorporated in Hong Kong, is owned by Mr. Liu Lit Chi and his associates. Such corporate interests are also disclosed in the sub-section under "Directors' interests in Share Capital of the Company and its Associated Corporations".

Save as disclosed above, the Company had not been notified by any person (other than the directors or Chief Executives Officer of the Company) who had interests or short positions in the shares and underlying shares of the Company of 5% or more as at 30 June 2019 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

EMPLOYEE AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a workforce of 467 (30 June 2018: 480). Staff cost for the period include salaries, bonuses and allowances, were approximately HK\$62.6 million (30 June 2018: HK\$48.8 million).

The Group's remuneration policy, having been advised and determined by the Remuneration Committee, will ensure that the pay levels of its employee are reasonable and competitive in the market and their total rewards including basic salary and bonus system are linked with their performance.

SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 May 2012, which replaced the previous share option scheme, for the primary purpose of providing incentives to directors and eligible employees, and will expire on 8 May 2022. Under the Scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside eligible third parties at the discretion of the Board.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's share on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, or the closing price of the shares on the date of grant.

No options have been granted under the above mentioned scheme since the Scheme was adopted.

THE CORPORATE GOVERNANCE CODE

During the period under review, the Company had substantially complied with the provision of Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below is the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 Annual Report:

DIRECTORS' UPDATED INFORMATION

The Board of Directors announces with great sadness that Dr. Liu Lit Chung, a Non-executive Director of the Company, passed away on 11 July 2019.

Dr. Cheng Mo Chi, Moses, an Independent Non-executive Director of the Company, resigned as Non-executive Director of Kader Holdings Company Limited with effect from 1 May 2019.

Dr. Ma Hung Ming, John, an Independent Non-executive Director of the Company, appointed as Vice-chairman of Carrianna Group Holdings Company Limited with effect from 28 June 2019.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

All directors have confirmed that they have complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares of the Company.

REVIEW OF UNAUDITED INTERIM FINANCIAL REPORT

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2019 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review report is issued.

PUBLICATION OF RESULTS ON THE WEBSITE

This results announcement, containing the relevant information required by the Listing Rules, has been published on the website of the HKExnews (www.hkexnews.hk) and the website of the Company (www.lchi.com.hk). The Company's interim report for 2019 will be dispatched to the shareholders of the Company and available on the above websites on or about 30 August 2019.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Executive Directors: Mr. Liu Lit Chi (Chairman, Managing Director and Chief Executive Officer), Mr. Liu Kam Fai, Winston (Deputy Managing Director), Mr. Liu Kwun Shing, Christopher and Mr. Lee Wai Hung; Non-executive Director: Mr. Kho Eng Tjoan, Christopher; and Independent Non-executive Directors: Dr. Cheng Mo Chi, Moses, Mr. Au Kam Yuen, Arthur, Dr. Ma Hung Ming, John, Mr. Cheng Yuk Wo and Mr. Tong, Tsun Sum Eric.

By Order of the Board
Liu Chong Hing Investment Limited
Liu Lit Chi

*Chairman, Managing Director
and Chief Executive Officer*

Hong Kong, 8 August 2019