



# **CHEUK NANG (HOLDINGS) LIMITED**

(Stock Code: 131)

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**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 31/12/2019**

# CHEUK NANG (HOLDINGS) LIMITED

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### CHAIRMAN STATEMENT

#### RESULTS

I herewith announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2019 of our Group is HK\$34,122,000 (2018: HK\$71,435,000) as set out in the unaudited consolidated income statement (representing a decrease of 52.2% 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 (2018: 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 3 April 2020.

#### REVIEW OF OPERATIONS

##### Hong Kong Properties

During the third quarter of 2019, Hong Kong's property market was affected seriously by continued economic and political issues. The US-China trade war and citywide demonstrations have led to an economic slowdown especially on the tourism and hospitality sectors. The market is further damped by the disease from Wuhan.

The progress of our projects is as follows:-

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

Phase 1 has been obtained Occupation Permit which consisted of 49 residential units, out of which 13 units are sold and 19 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. The whole development provides 70 no. of car parks. The Authorised Person has further applied the extension of material date to 31 December 2020 for the issuance of Occupation Permit and Certificate of Compliance in view of the current working condition of the government.

**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 80% which contributed good rental income to the Group.

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

The renovation of the two blocks of villa (Villa Begonia and Villa Crocus) is completed.

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

Construction of Phase 1 has already been completed. Over 70% of the villas in Phase 1 were leased out. The construction work is almost finished, the overall site improvement work and construction of Phase 2 is in progress.

**China Properties**

Consumer spending, entertainment and tourism during this year's Lunar New Year was severely affected during the outbreak of coronavirus. According to China's Ministry of Commerce, consumer spending is continuously slowdown, particularly in major cities including Beijing, Shanghai and Shenzhen, severely suffered.

*Cheuk Nang Garden*

*Longhwa, Shenzhen*

The sales of Cheuk Nang Garden is still in progress. The accumulated sales since the new sales campaign from March 2019 have reached Renminbi 1.17 billion and the gross floor areas sold is 20,037.08 sq. m. There is no more sales recorded since Chinese New Year.

*Cheuk Nang • Riverside*

*Yue Hang Qu, Hangzhou*

The litigation with the main contractor is still in progress and the inspection for the development is being held up due to the main contractor refused to submit the necessary documents for inspection.

## **Macau Properties**

Macau's property housing market is now cooling down. Slower economic growth in Mainland China and the civil unrest in Hong Kong are hitting Macau's gaming and financial sectors. President Xi Jinping expressed Central Government's support for Macau in addition to its reliance on gaming revenues to become a world centre for tourism and increase financial activity during his recent visit in December 2019 for the twentieth anniversary of the return to Chinese sovereignty.

### *Golden Cotai No. 1*

*Estrada de Seac Pai Van, Coloane*

The new Chief Executive and Officials have been appointed. We are still waiting for the approval for our application for change of land use.

## **Malaysia Properties**

The economic growth of Malaysia has started to slow down in the second half of 2019. Following the outbreak of coronavirus, the Malaysia government has reduced the issuance of visas to Chinese people and thus, affect the tourist and hospitality sectors which in turn accelerate the declining economy and property market.

### *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 demand for hotels in Kuala Lumpur has decreased tremendously due to cancellation of booking after the outbreak of coronavirus in January 2020. The impact on our revenue from serviced apartment business will be reflected.

### *Phase II "Cecil Central Residence"*

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

The amended Development Order has been approved. Application for approval of the amended proposed car park plans was submitted.

## **INVESTMENT IN BONDS AND HONG KONG STOCK MARKET**

The investment in Bond market as at 31 December 2019 was HK\$204,731,000. During the period, a total of HK\$Nil was sold and HK\$31,594,000 was purchased.

The market price of our investment in the Hong Kong stocks as at 31 December 2019 was HK\$32,073,000. During the period, a total of HK\$1,842,000 stock was sold and of HK\$26,130,000 was purchased.

## **OUTLOOK**

Following the outbreak of coronavirus in January 2020, our revenue from investment properties in China and overseas are largely affected. In order to stop the spread of virus in Hong Kong, except the stock exchange, many sectors of the society seems like ceasing its operation; Governmental services partially suspended. Staff of some companies have been allowed to work from home. Schools and public facilities are closed. The unemployment rate has reached 3.4% and has not yet peaked.

The impact of coronavirus on the economy is enormous. The Hong Kong government has already introduced relief measures to help those businesses and families which are affected by the disease. Although we are facing the most difficult circumstances, we still hope the disease will pass away in few months' time and the economies of China, overseas and Hong Kong will recover gradually and back to normal.

## **DIRECTORS AND STAFF**

I would also like on behalf of the Group to thank all our directors and staff for their dedication and contribution to the steady work of the Company during the difficult period.

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

By order of the Board  
**CECIL CHAO SZE TSUNG**  
*Executive Chairman*

Hong Kong, 27 February 2020

## 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 2019

	Notes	Six months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>304,226</b>	29,408
Direct costs		<b>(114,725)</b>	(8,913)
<b>Gross profit</b>		<b>189,501</b>	20,495
Other income, net	4	<b>50,424</b>	15,819
Change in fair value of investment properties		<b>(23,648)</b>	338,255
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		<b>(154)</b>	(463)
Administrative expenses		<b>(50,735)</b>	(31,153)
Finance costs	5a	<b>(17,085)</b>	(15,526)
<b>Profit before income tax</b>	5	<b>148,303</b>	327,427
Income tax expense	6	<b>(114,181)</b>	(255,992)
<b>Profit for the period</b>		<b>34,122</b>	71,435
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>33,565</b>	71,006
Non-controlling interests		<b>557</b>	429
		<b>34,122</b>	71,435
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>			
Basic	8	<b>HK\$0.06</b>	HK\$0.12
Diluted		<b>HK\$0.06</b>	HK\$0.12

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
<b>Profit for the period</b>	<b>34,122</b>	71,435
<b>Other comprehensive income/(expense) for the period, net of tax</b>		
Item that will be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”) (recycling)	(412)	(1,553)
Exchange loss on translation of financial statements of foreign operations	(71,852)	(132,680)
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	728	683
Income tax relating to components of other comprehensive income	(120)	(112)
Other comprehensive expense for the period, net of tax	(71,656)	(133,662)
<b>Total comprehensive expense for the period</b>	<b>(37,534)</b>	<b>(62,227)</b>
<b>Total comprehensive (expense)/income for the period attributable to:</b>		
Owners of the Company	(38,091)	(62,656)
Non-controlling interests	557	429
	<b>(37,534)</b>	<b>(62,227)</b>

## Condensed Consolidated Statement of Financial Position

As at 31 December 2019

		At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	9	7,426,362	7,659,411
Property, plant and equipment		39,040	39,124
Other non-current asset		950	950
Other financial assets	10	198,451	171,922
Deferred tax assets		14,420	14,780
Right-of-use asset		4,848	–
		<u>7,684,071</u>	<u>7,886,187</u>
<b>Current assets</b>			
Properties under development	9	1,491,660	1,496,668
Completed properties for sale		452,536	445,141
Other financial assets	10	6,280	1,626
Financial assets at fair value through profit or loss	11	496,036	250,217
Trade and other receivables	12	50,785	45,799
Bank balances and cash	13	736,370	595,454
		<u>3,233,667</u>	<u>2,834,905</u>
<b>Current liabilities</b>			
Other payables		212,781	191,268
Contract liabilities	16	369,318	306,600
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		1,496	1,381
Interest-bearing borrowings		1,229,209	1,163,687
Lease liabilities	15	2,608	–
Tax payable		708,205	529,342
		<u>2,763,607</u>	<u>2,432,268</u>
<b>Net current assets</b>		<u>470,060</u>	<u>402,637</u>
<b>Total assets less current liabilities</b>		<u>8,154,131</u>	<u>8,288,824</u>



		<b>At 31 December 2019</b>	At 30 June 2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		<b>10,493</b>	10,108
Advances from a director		<b>164,682</b>	159,182
Lease liabilities	15	<b>2,367</b>	–
Deferred tax liabilities		<b>1,198,198</b>	1,289,825
		<u><b>1,375,740</b></u>	<u>1,459,115</u>
<b>Net assets</b>		<u><b>6,778,391</b></u>	<u>6,829,709</u>
<b>EQUITY</b>			
Share capital	14	<b>2,402,183</b>	2,326,486
Reserves		<b>4,184,669</b>	4,312,241
<b>Equity attributable to the owners of the Company</b>		<u><b>6,586,852</b></u>	<u>6,638,727</u>
<b>Non-controlling interests</b>		<u><b>191,539</b></u>	<u>190,982</u>
<b>Total equity</b>		<u><b>6,778,391</b></u>	<u>6,829,709</u>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Net cash generated from/(used in) operating activities	180,237	(106,993)
<b>Investing activities</b>		
Additions of investment properties	(8,719)	(24,448)
Purchase of structured deposit	(221,684)	(95,969)
Purchase of financial assets at FVTOCI	(31,595)	–
Proceeds from disposal of investment properties	175,097	52,158
Release of fixed deposits with original maturity of over three months placement	193,368	156,115
Other investing activities	14,865	19,413
Net cash generated from investing activities	121,332	107,269
<b>Financing activities</b>		
Advances from a director	5,500	24,100
New bank and other loans raised	655,791	20,000
Repayment of bank loans	(590,979)	(60,950)
Other financing activities	(13,648)	(18,796)
Net cash generated from/(used in) financing activities	56,664	(35,646)
<b>Net increase/(decrease) in cash and cash equivalents</b>	358,233	(35,370)
<b>Cash and cash equivalents at 1 July</b>	398,298	518,393
Effect of foreign exchange rate changes, on cash held	(24,145)	(27,429)
<b>Cash and cash equivalents at 31 December, represented by cash at bank</b>	<b>732,386</b>	<b>455,594</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Equity attributable to the owners of the Company							
	Share capital	Exchange reserve*	Property revaluation reserve*	Financial assets at FVTOCI reserve (recycling)*	Retained profits*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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 FVTOCI	-	-	-	(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)
<b>Total comprehensive (expense)/ income for the period</b>	<u>-</u>	<u>(132,680)</u>	<u>571</u>	<u>(1,553)</u>	<u>71,006</u>	<u>(62,656)</u>	<u>429</u>	<u>(62,227)</u>
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
<b>Balance at 31 December 2018</b>	<u>2,287,930</u>	<u>(213,530)</u>	<u>26,298</u>	<u>(14,089)</u>	<u>4,212,140</u>	<u>6,298,749</u>	<u>162,657</u>	<u>6,461,406</u>

Equity attributable to the owners of the Company

	Share capital <i>HK\$'000</i> (Unaudited)	Exchange reserve* <i>HK\$'000</i> (Unaudited)	Property revaluation reserve* <i>HK\$'000</i> (Unaudited)	Financial assets at FVTOCI reserve (recycling)* <i>HK\$'000</i> (Unaudited)	Retained profits* <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Non- controlling interests <i>HK\$'000</i> (Unaudited)	Total equity <i>HK\$'000</i> (Unaudited)
Balance at 1 July 2019	2,326,486	(378,944)	28,160	(7,117)	4,670,142	6,638,727	190,982	6,829,709
Adjustment from the adoption of HKFRS 16 (Note 2(a))	-	-	-	-	(136)	(136)	-	(136)
Adjusted balance at 1 July 2019	2,326,486	(378,944)	28,160	(7,117)	4,670,006	6,638,591	190,982	6,829,573
Profit for the period	-	-	-	-	33,565	33,565	557	34,122
Other comprehensive income/ (expenses) for the period								
Exchange loss on translation of financial statements of foreign operations	-	(71,852)	-	-	-	(71,852)	-	(71,852)
Change in fair value of financial assets at FVTOCI	-	-	-	(412)	-	(412)	-	(412)
Change in fair value of land and buildings held for own use	-	-	728	-	-	728	-	728
Income tax relating to components of other comprehensive income	-	-	(120)	-	-	(120)	-	(120)
<b>Total comprehensive (expense)/ income for the period</b>	<b>-</b>	<b>(71,852)</b>	<b>608</b>	<b>(412)</b>	<b>33,565</b>	<b>(38,091)</b>	<b>557</b>	<b>(37,534)</b>
2019 final dividend approved and paid (Note 7)	-	-	-	-	(89,345)	(89,345)	-	(89,345)
Issue of share capital: Pursuant to scrip dividend scheme	75,697	-	-	-	-	75,697	-	75,697
<b>Balance at 31 December 2019</b>	<b><u>2,402,183</u></b>	<b><u>(450,796)</u></b>	<b><u>28,768</u></b>	<b><u>(7,529)</u></b>	<b><u>4,614,226</u></b>	<b><u>6,568,852</u></b>	<b><u>191,539</u></b>	<b><u>6,778,391</u></b>

\* These reserve accounts comprise the Group's reserves of HK\$4,184,669,000 (As at 30 June 2019 (Audited): HK\$4,312,241,000) in the condensed consolidated statement of financial position.

## **Notes to the Condensed Consolidated Financial Statements**

*For the six months ended 31 December 2019*

### **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 2020, 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 2019, except for the adoption of new or amended HKFRSs effective on or after 1 July 2019 as disclosed in Note 2 and the accounting policy changes that are expected to be reflected in the 2019 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 2019.

The financial information relating to the financial year ended 30 June 2019 that is included in the interim financial statements for the six months ended 31 December 2019 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 2019 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 HKFRSs adopted as at 1 July 2019**

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 2019.

Other than the impact of the adoption of HKFRS 16 “Leases” 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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

#### (a) New and amended HKFRSs adopted as at 1 July 2019 (Continued)

##### **HKFRS 16**

HKFRS 16 replaces HKAS 17 ‘Leases’ along with three Interpretations (HK (IFRIC)- Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) - Int 15 “Operating Leases-Incentives” and HK(SIC) - Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK (IFRIC) - Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) - Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. The Group measure the right-of-use assets as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16).

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

#### (a) New and amended HKFRSs adopted as at 1 July 2019 (Continued)

##### *HKFRS 16 “Leases” (Continued)*

On transition to HKFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 3.45%.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 30 June 2019	6,572
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(8)
Operating leases liabilities before discounting	6,564
Discounting using incremental borrowing rate as at 1 July 2019	(268)
Total lease liabilities recognised under HKFRS 16 at 1 July 2019	<u>6,296</u>
Classified as:	
Current lease liabilities	2,677
Non-current lease liabilities	3,619
	<u>6,296</u>

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 July 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets	6,160
Increase in lease liabilities	6,296
Decrease in retained profits	(136)
	<u>6,296</u>

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2019, except for the effects of applying HKFRS 16.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 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, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

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 Interim Financial Information.

#### *Amendments to HKAS 1 and HKAS 8 "Definition of Material"*

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's Interim Financial Information.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

#### (c) Significant accounting policies

The condensed consolidated interim financial statement 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 2019, except for the effects of applying HKFRS 16.

#### ***HKFRS 16 "Lease"***

As described in Note 2(a), the Group has applied HKFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under HKAS 17 and HK(IFRIC)-Int 4.

#### *The Group as a lessee*

#### *Applicable from 1 July 2019*

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts 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 and non-lease component on the basis of their relative stand-alone prices.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

#### (c) Significant accounting policies (Continued)

##### *HKFRS 16 “Lease” (Continued)*

##### *The Group as a lessee (Continued)*

##### *Applicable from 1 July 2019 (Continued)*

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payment) less any lease incentives receivable, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee. The lease payments also included the exercise price of a purchase option reasonable certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

#### (c) Significant accounting policies (Continued)

##### *HKFRS 16 “Lease” (Continued)*

*The Group as a lessee (Continued)*

*Applicable from 1 July 2019 (Continued)*

Measurement and recognition of leases as a lessee (Continued)

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these lease are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Right-of-use assets are presented as a separate line, on the Consolidated Statement of Financial Position.

*Applicable before 1 July 2019*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment of a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

#### (c) Significant accounting policies (Continued)

##### *HKFRS 16 “Lease” (Continued)*

*Applicable before 1 July 2019 (Continued)*

#### (ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

#### (iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

### 3. SEGMENT INFORMATION

The Group is principally engaged in property development and investment and provision of property management and related services. Turnover of the Group is the revenue from these activities.

In accordance with the Group’s internal financial reporting provided to the executive directors of the Company, being the chief operating decision makers who is responsible for allocating resources, assessing performance of the operating segments and making strategic decision, the executive directors consider the business from business perspective.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 3. SEGMENT INFORMATION (Continued)

From business perspective, the Group organised into the following main business segments:

- Property sales;
- Property rental;
- Estate management; and
- Others – securities trading, investments in financial instruments and debentures

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

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 2019 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	267,773	32,151	4,302	–	304,226
From other segments	–	–	10,367	–	10,367
<b>Reportable segment revenue</b>	<b>267,773</b>	<b>32,151</b>	<b>14,669</b>	<b>–</b>	<b>314,593</b>
<b>Reportable segment profit</b>	<b>157,055</b>	<b>55,855</b>	<b>1,965</b>	<b>–</b>	<b>214,875</b>
Other information:					
Interest income	4,806	7,695	–	351	12,852
Interest expense	1,797	12,409	–	–	14,206
Income tax expense	224,080	(109,899)	–	–	114,181
Depreciation of property, plant and equipment	25	954	69	–	1,048
Decrease in fair value of investment properties	–	(23,648)	–	–	(23,648)
Decrease in fair value of financial assets at fair value through profit or loss	–	–	–	(154)	(154)
<b>As at 31 December 2019 (Unaudited)</b>					
<b>Reportable segment assets</b>	<b>1,942,638</b>	<b>6,933,121</b>	<b>7,614</b>	<b>32,073</b>	<b>8,915,446</b>
<b>Reportable segment liabilities</b>	<b>426,906</b>	<b>263,929</b>	<b>5,801</b>	<b>–</b>	<b>696,636</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 3. SEGMENT INFORMATION (Continued)

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

	Six months ended 31 December	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Property sales	267,773	1,701
Property rental	32,151	24,531
Estate management	4,302	3,176
	<u>304,226</u>	<u>29,408</u>

#### 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 2019		
	Property sales <i>HK\$'000</i> (Unaudited)	Property rental <i>HK\$'000</i> (Unaudited)	Estate management <i>HK\$'000</i> (Unaudited)
<b>Segments</b>			
Geographical markets			
PRC	267,773	7,509	3,450
Hong Kong	–	23,931	852
Malaysia	–	711	–
	<u>267,773</u>	<u>32,151</u>	<u>4,302</u>
Timing of revenue recognitions under HKFRS 15 from external customers			
At a point in time	267,773	–	4,302
Revenue not in the scope of HKFRS 15	–	32,151	–
	<u>267,773</u>	<u>32,151</u>	<u>4,302</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 3. SEGMENT INFORMATION (Continued)

#### For the six months ended 31 December 2018 (Unaudited)

	Property sales <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	1,701	24,531	3,176	–	29,408
From other segments	–	420	15,038	–	15,458
	<u>1,701</u>	<u>24,951</u>	<u>18,214</u>	<u>–</u>	<u>44,866</u>
<b>Reportable segment revenue</b>	<b><u>1,701</u></b>	<b><u>24,951</u></b>	<b><u>18,214</u></b>	<b><u>–</u></b>	<b><u>44,866</u></b>
<b>Reportable segment profit/(loss)</b>	<b><u>1,471</u></b>	<b><u>354,134</u></b>	<b><u>1,952</u></b>	<b><u>(463)</u></b>	<b><u>357,094</u></b>
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)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(463)</u>	<u>(463)</u>

#### As at 30 June 2019 (Audited)

	Property sales <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>3,005,264</u>	<u>6,884,204</u>	<u>2,554</u>	<u>7,938</u>	<u>9,899,960</u>
Reportable segment liabilities	<u>326,945</u>	<u>262,515</u>	<u>1,328</u>	<u>–</u>	<u>590,788</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 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	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Reportable segment profit	214,875	357,094
Unallocated corporate income	52,629	15,703
Unallocated corporate expenses	(102,116)	(29,844)
Finance costs	(17,085)	(15,526)
Profit before income tax of the Group	<u>148,303</u>	<u>327,427</u>

### 4. OTHER INCOME, NET

	Six months ended 31 December	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Dividend income from listed equity investments	512	116
Interest received	5,173	8,433
Interest received from other financial assets	7,679	6,320
Gain on disposal of financial assets at FVTPL	108	–
Gain on disposal of investment properties, net of tax	36,679	–
Sundry income	268	905
Exchange gain, net	5	45
	<u>50,424</u>	<u>15,819</u>



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 5. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>(a) Finance costs</b>		
Interest charges on:		
Bank loans	19,086	15,491
Advances from a director	4,964	4,941
Other incidental borrowing costs	3,468	4,568
	<u>27,518</u>	<u>25,000</u>
Total finance costs	27,518	25,000
Less: Interest capitalised into investment properties and properties under development for sale	(10,433)	(9,474)
	<u>17,085</u>	<u>15,526</u>
<b>(b) Other items</b>		
Depreciation	1,048	1,192
Gain on disposal of financial assets at FVTPL	(108)	–
(Gain)/Loss on disposal of an investment property, net of tax	(36,679)	1,775
Short term lease expenses	7	7
Depreciation of right-of-use asset	1,312	–
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	12,317	10,807
Contribution to defined contribution plans	125	103
	<u>12,442</u>	<u>10,910</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 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 2019 (2018: 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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Overseas		
PRC enterprise income tax	60,948	–
PRC land appreciation tax	163,132	–
	<u>224,080</u>	<u>–</u>
Deferred taxation	(109,899)	255,992
Total income tax expense	<u>114,181</u>	<u>255,992</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 7. DIVIDENDS

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK15 cents (2018: HK15 cents) per ordinary share	<b>89,345</b>	85,457
Proposed interim dividend of HK7.5 cents (2018: HK7.5 cents) per ordinary share	<b>46,565</b>	43,891
	<b>135,910</b>	<b>129,348</b>

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 2019, scrip dividend alternative was offered to shareholders in respect of 2019 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends:		
Cash	<b>13,648</b>	18,796
Share alternative ( <i>Note 14</i> )	<b>75,697</b>	66,661
	<b>89,345</b>	<b>85,457</b>



## **Notes to the Condensed Consolidated Financial Statements (Continued)**

*For the six months ended 31 December 2019*

### **9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT**

During the six months ended 31 December 2019, capital expenditure on additions of the investment properties was HK\$8,719,000 (31 December 2018: HK\$24,448,000), on properties under development was HK\$14,353,000 (31 December 2018: HK\$27,032,000).

The valuations of investment properties and land and buildings held for own use carries at fair value were updated at 31 December 2019 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 31 December 2018 valuations. As a result of the update, a net loss on fair value change of HK\$23,648,000 (31 December 2018: net gain on fair value change of HK\$338,255,000) has been recognised in the condensed consolidated income statement.

During the six months ended 31 December 2019, disposal of an investment property at the carrying value of HK\$116,790,000 (31 December 2018: HK\$53,933,000) at cash consideration of HK\$175,097,000 (31 December 2018: HK\$52,158,000) after deducting direct legal and professional fees.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2019 HK\$'000 (Unaudited)	At 30 June 2019 HK\$'000 (Audited)
<b>Non-current assets</b>		
Financial assets at fair value through other comprehensive income ("FVTOCI"):		
Perpetual notes, listed in Hong Kong (Note (a))	132,249	130,069
Perpetual notes, listed outside Hong Kong (Note (b))	3,080	3,064
Debentures, listed in Hong Kong (Note (c))	6,093	7,524
Debentures, listed outside Hong Kong (Note (d))	57,029	31,265
	<u>198,451</u>	<u>171,922</u>
<b>Current assets</b>		
Financial assets at fair value through other comprehensive income:		
Debentures, listed outside Hong Kong (Note (d))	6,280	–
Debentures, listed in Hong Kong (Note (c))	–	1,626
	<u>204,731</u>	<u>173,548</u>

The Group are held the investment 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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 10. OTHER FINANCIAL ASSETS (Continued)

*Note:*

- (a) The Group have 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.
- (b) The Group have investments in 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.
- (c) The Group have investments in 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.
- (d) The Group have investments in six listed debentures with principal amounts ranging from US\$240,000 to US\$1,500,000 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 which carry forward from 30 June 2019. Addition nine listed debentures with principal amounts ranging from US\$300,000 to US\$1,000,000 with fixed maturity date ranging from 27 March 2021 to 8 April 2026 at a coupon rates ranging from 6.75% to 11.88% per annum purchase during the period.
- (e) Financial assets at FVTOCI have been pledged to secure banking facilities granted to the Group (Note 18).
- (f) The credit risk on listed perpetual notes and debentures are considered to be insignificant because the issuers with high credit ratings assigned by international credit rating agencies.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2019 HK\$'000 (Unaudited)	At 30 June 2019 HK\$'000 (Audited)
<b>Financial assets at fair value through profit or loss</b>		
Equity securities listed in Hong Kong ( <i>Note (a)</i> )	32,073	7,938
Short-term investment ( <i>Note (b)</i> )	463,963	242,279
	<hr/>	<hr/>
	<b>496,036</b>	<b>250,217</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (a) The fair value of the Group's investments in listed equity securities have been measured as described in Note 20.
- (b) The short-term investment represented structured deposits which are placed with bank in the PRC and contain embedded derivatives, the returns of which are determined by reference to the performance of the underlying assets of the structured deposits and the interest rate earning for the range from 1.40% to 3.97% per annum (30 June 2019 (Audited): 1.65%-3.97%) quoted in the market.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 12. TRADE AND OTHER RECEIVABLES

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
<b>Trade receivables</b>		
From third parties	<u>2,219</u>	<u>1,123</u>
<b>Other receivables</b>		
Prepaid expenses	15,582	11,754
Utilities deposits	2,775	2,726
Prepaid other taxes	4,880	4,879
Other deposits	1,594	13,469
Other receivables	<u>23,735</u>	<u>11,848</u>
	<u>48,566</u>	<u>44,676</u>
	<u><u>50,785</u></u>	<u><u>45,799</u></u>

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 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	698	998
31 – 60 days	260	98
61 – 90 days	35	11
Over 90 days	<u>1,226</u>	<u>16</u>
	<u>2,219</u>	<u>1,123</u>

Trade receivables are due upon presentation of invoices.

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

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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 13. BANK BALANCES AND CASH

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Pledged deposits	3,984	3,788
Fixed deposits	–	193,368
Cash at bank	732,386	398,298
	<u>736,370</u>	<u>595,454</u>
Total	<u><u>736,370</u></u>	<u><u>595,454</u></u>

The fixed deposits earn 6% (30 June 2019 (Audited): 6%) interest per annum with an original maturity 6 months.

Included in bank and cash balances of the Group is HK\$711,059,000 (30 June 2019 (Audited): HK\$411,990,000) of bank balances denominated are placed with banks in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the bank balances are not freely transferred.

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		Audited	
	As at 31 December 2019		As at 30 June 2019	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Voting ordinary shares:				
At the beginning of the period/year	595,634,100	2,326,486	569,710,858	2,221,269
Issue of shares pursuant to scrip dividend scheme (Note 7)	<u>25,232,406</u>	<u>75,697</u>	<u>25,923,242</u>	<u>105,217</u>
<b>At 31 December 2019 (Unaudited)</b>	<u><u>620,866,506</u></u>	<u><u>2,402,183</u></u>	<u><u>595,634,100</u></u>	<u><u>2,326,486</u></u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 15. LEASE LIABILITIES

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Total minimum lease payments:		
Due within one year	2,781	–
Due in the second to fifth years	2,361	–
	<u>5,142</u>	<u>–</u>
Future finance charges on leases liabilities (2019: finance lease liabilities)	(167)	–
	<u>4,975</u>	<u>–</u>
Present value of leases liabilities (2019: finance lease liabilities)	<u>4,975</u>	<u>–</u>
Present value of minimum lease payments:		
Due within one year	2,367	–
Due in the second to fifth years	2,608	–
	<u>4,975</u>	<u>–</u>
Less: Portion due within one year included under current liabilities	(2,367)	–
	<u>2,608</u>	<u>–</u>
Portion due after one year included under non-current liabilities	<u>2,608</u>	<u>–</u>

During the six months ended 31 December 2019, the total cash outflows for the leases is approximately HK\$1,420,000.

The Group considered that no extension option or termination option would be exercised at the lease commencement date. All are for leasing of office premises. The lease periods are for three to five years.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 16. CONTRACT LIABILITIES

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Contract liabilities arising from receipt in advance	<u><b>369,318</b></u>	<u>306,600</u>

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers good or service to the customer.

During the six months ended 31 December 2019, the Group's contract liabilities amount to HK\$369,318,000 (2019: HK\$306,600,000) and are expected to be recognised as revenue within one year. As a practical expedient, the balance does not involve significant financing component.

Since all the contracts with an original duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contact liabilities outstanding at the beginning of the period amounting to HK\$127,624,000 have been recognised as revenue during the period.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 17. 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 2019 HK\$'000 (Unaudited)	At 30 June 2019 HK\$'000 (Audited)
Contracted but not provided for	<u>306,293</u>	<u>325,420</u>

#### (b) 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 2019 HK\$'000 (Unaudited)	At 30 June 2019 HK\$'000 (Audited)
Within one year	15,772	27,452
In the second to fifth years inclusive	<u>4,402</u>	<u>10,810</u>
	<u>20,174</u>	<u>38,262</u>

#### (c) Lease commitments – as lessee

At 31 December 2019, the lease commitments for short-term leases (2019: total future minimum lease payments payable by the Group under non-cancellable operating leases) are payable as follows:

	At 31 December 2019 HK\$'000 (Unaudited)	At 30 June 2019 HK\$'000 (Audited)
Within one year	1	2,849
In the second to fifth years inclusive	<u>–</u>	<u>3,723</u>
	<u>1</u>	<u>6,572</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 18. PLEDGE OF ASSETS

At 31 December 2019, the Group's total bank borrowings of HK\$1,229,209,000 (30 June 2019 (Audited): HK\$1,144,500,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties held for sales and land and building with carrying values of approximately HK\$2,245,200,000 (30 June 2019 (Audited): HK\$2,205,600,000), HK\$1,539,000 (30 June 2019 (Audited): HK\$1,539,000) and HK\$36,400,000 (30 June 2019 (Audited): HK\$36,400,000) respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of approximately HK\$3,984,000 (30 June 2019 (Audited): HK\$3,788,000);
- (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 assets at FVTOCI of approximately HK\$204,731,000 (30 June 2019 (Audited): HK\$173,548,000).

### 19. 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:

	Note	Six months ended	
		31 December	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors		6,771	7,031
Interest paid to Dr. Chao Sze-Tsung Cecil	(a)	4,964	4,941
Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") and Cecil Chao Design (Macau) Limited ("CCDML")	(b)	2,100	22,050
Commission paid to Szehope Securities Company Limited	(c)	76	—

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (a) Dr. Chao Sze Tsung Cecil has provided unsecured advances, to the Group at 1% over prime interest rate in Hong Kong per annum. At 31 December 2019, the advances from Dr. Chao Sze Tsung Cecil amounted to approximately HK\$164,682,000 (30 June 2019 (Audited): HK\$159,182,000). Dr. Chao Sze Tsung Cecil has confirmed that he will not request repayment of these advances in coming one year.
- (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. The disclosures required by Chapter 14A of the Listing Rules are provided in the reports of the directors.
- (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 year or at any time during the period.

### 20. FAIR VALUE MEASUREMENT

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2, inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2019

### 20. FAIR VALUE MEASUREMENT (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

<b>At 31 December 2019 (Unaudited)</b>			
<i>Note</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
<b>Financial assets at FVTPL:</b>			
Listed equity securities held for trading	(a) 32,073	–	32,073
Short-term investment	(c) –	463,963	463,963
<b>Financial assets at FVTOCI:</b>			
Perpetual notes, listed in Hong Kong	(b) –	132,249	132,249
Perpetual notes, listed outside Hong Kong	(b) –	3,080	3,080
Debentures, listed in Hong Kong	(b) –	6,093	6,093
Debentures, listed outside Hong Kong	(b) –	63,309	63,309
	<u>32,073</u>	<u>668,694</u>	<u>700,767</u>
<b>At 30 June 2019 (Audited)</b>			
<i>Note</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
<b>Financial assets at FVTPL:</b>			
Listed equity securities held for trading	(a) 7,938	–	7,938
Short-term investment	(c) –	242,279	242,279
<b>Financial assets at FVTOCI:</b>			
Perpetual notes, listed in Hong Kong	(b) –	130,069	130,069
Perpetual notes, listed outside Hong Kong	(b) –	3,064	3,064
Debentures, listed in Hong Kong	(b) –	9,150	9,150
Debentures, listed outside Hong Kong	(b) –	31,265	31,265
	<u>7,938</u>	<u>415,827</u>	<u>423,765</u>



## **Notes to the Condensed Consolidated Financial Statements (Continued)**

*For the six months ended 31 December 2019*

### **20. FAIR VALUE MEASUREMENT (Continued)**

There have been no transfers between levels 1, 2 and 3 in the reporting period.

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

*Note:*

(a) Listed equity securities held for trading

The listed equity securities are denominated in Hong Kong dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(b) Listed debt securities

The listed debt securities are denominated in United States dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(c) Short-term investment

Fair values have been determined by reference to the discounted cash flow approach.

### **21. EVENTS AFTER THE REPORTING DATE**

At the time of this interim report, the covid-19 outbreak has occurred in the world. The ramification and impact of this is still manifesting not only in the loss of human lives but in the disruption to economic and social activities in the markets that the Group operates in. We expect reduced sales and lower profits in the second half year of the financial year before gradual recovery in the final quarter if the covid-19 outbreak recedes by then.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Financial Highlights

Revenue for the six months ended 31 December 2019 (the “Period”) amounted to HK\$304,226,000 (for the six months ended 31 December 2018: HK\$29,408,000), a 934.5% increase as compared with the same period last year. It was mainly due to increase in properties sold in Shenzhen amounted to HK\$267,773,000 during Period.

For property leasing, the Period recorded an increase of 31.1% in rental income as compared with the corresponding Period in 2018, amounting HK\$32,151,000 (31 December 2018: HK\$24,531,000).

Gross profit for the Period amounted to HK\$189,501,000, a 824.6% increase as compared with same period last year.

Other income recorded an increase of 218.8% to HK\$50,424,000 when compared with last year (31 December 2018: HK\$15,819,000). The other income for the Period were mainly attributed to dividend income, interest income, gain on disposal of financial assets at fair value through profit or loss and gain on disposal of investment properties. Decrease in fair value of financial assets at fair value through profit or loss amounted to HK\$154,000 (31 December 2018: HK\$463,000). Decrease in fair value of investment properties amounted to HK\$23,648,000 (31 December 2018: increase in fair value of HK\$338,255,000). Administrative expenses increased by 62.9% to HK\$50,735,000 as compared with the same period last year. Finance costs increased by 10.0% to HK\$17,085,000 as compared with same period last year. The increase was mainly due to increase in interest rate during the period. Income tax expenses decreased to HK\$114,181,000 (31 December 2018: HK\$255,992,000) which was mainly due to decrease in land appreciation tax and profit tax on fair value changes in China and partly offset by profit tax and land appreciation tax arisen from sale of properties in Shenzhen during last year.

Profit attributable to owners of the Company for the Period was HK\$33,565,000 (31 December 2018: HK\$71,006,000). Basic earnings per share was HK\$0.06 (31 December 2018: HK\$0.12) and fully diluted earnings per share was HK\$0.06 (31 December 2018: HK\$0.12).

Final dividend of HK15.0 cents for the year ended 30 June 2019 (30 June 2018: HK15.0 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2019 final dividend.

The Board resolved an interim dividend for the six months ended 31 December 2019 of HK7.5 cents (31 December 2018: HK7.5 cents). Scrip dividend alternative was offered to shareholders in respect of the interim dividend for the six months ended 31 December 2019.

## **Total Equity attributable to the Owners of the Company**

As at 31 December 2019, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$6,586,852,000 (30 June 2019: HK\$6,638,727,000), a decrease of HK\$51,875,000 or 0.8% when compared with 30 June 2019. With the total number of ordinary shares in issue of 620,866,506 as at 31 December 2019 (30 June 2019: 595,634,100 shares), the total equity attributable to the owners of the Company per share was HK\$10.61, representing a decrease of 4.8% compared to HK\$11.15 as at 30 June 2019. The decrease in total equity attributable to owners of the Company per share was mainly attributable to decrease in fair value of investment properties and increase in number of ordinary shares during the Period.

Other than the existing projects and those disclosed in the annual report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

## **Investment in Financial Assets at Fair Value through Profit or Loss**

As at 31 December 2019, the fair value of investment in listed securities, Bonds and structured deposit amounted to HK\$32,073,000, HK\$204,731,000 and HK\$463,963,000 respectively were classified as the financial assets at fair value through profit or loss and at fair value through other comprehensive income. During the Period, the portfolio was increased by a net acquisition of HK\$24,288,000, loss on fair value of HK\$154,000 of listed securities and gain on fair value of HK\$412,000 of Bonds. The investment in listed securities, Bonds and structured deposit as at 31 December 2019 represented 6.4% (30 June 2019: 4.0%) 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 2019 and 30 June 2019 were 620,866,506 and 595,634,100 respectively.

## **Debts and Gearing**

As at 31 December 2019, the Group's bank and other borrowings amounted to HK\$1,404,384,000 (30 June 2019: HK\$1,332,977,000). Cash and bank balances amounted to HK\$736,370,000 (30 June 2019: HK\$595,081,000) and net borrowing amounted to HK\$668,014,000 (30 June 2019: HK\$737,523,000).

Total debts to equity ratio was 21.3% (30 June 2019: 20.1%) and net debt to equity ratio was 10.1% (30 June 2019: 11.1%).

The increase in the total debt to equity ratio and net debt to equity ratio were mainly due to increase in bank borrowing during the period and partly offset by increase in cash and bank balances resulted from increase in investment in other financial assets during period and sale of properties.

As at 31 December 2019, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,404,384,000, 41.2%, 58.0% and 0.8% 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 2019, the Group's investment properties, properties held for sales and land and building with carrying value of HK\$2,245,200,000 (30 June 2019: HK\$2,205,600,000), HK\$1,539,000 (30 June 2019: HK\$1,539,000) and HK\$36,400,000 (30 June 2019: HK\$36,400,000) 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\$10,433,000 as compared to HK\$9,474,000 for the same period last year. Interest expenses for the Period amounted to HK\$27,518,000, representing 10.1% increase over the interest expenses of HK\$25,000,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in bank loans interest and other borrowing cost during the Period. The average interest rate over the period under review was 3.5% (31 December 2018: 2.6%) 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 2019 and that valuation was used in preparing financial statements for the six months ended 31 December 2019. The Group's investment properties and investment properties under development were valued at HK\$5,753,960,000 and HK\$1,708,802,000 respectively making the total HK\$7,426,362,000 (30 June 2019: investment properties and investment properties under development were valued at HK\$5,937,518,000 and HK\$1,721,893,000 making the total HK\$7,659,411,000). The increase in fair value of approximately HK\$25,768,000 was credited to the income statement for the Period. The Group land and building held for a director's quarter carried at fair value were valued at HK\$36,400,000 (30 June 2019: HK\$36,400,000). There is no increase in fair value for the Period was 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 2019, the Group employed a total of 90 (as at 31 December 2019: 89) 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. Other than one supplier relating to our construction work which recently has financial problem, the work originally carried by the contractor has been reassigned to other contractor. Other than this, there is no major events affecting our relationships with our suppliers.

### **Relationships with customers**

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

## **Relationships with employees**

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

## **BUSINESS REVIEW**

### **Hong Kong Properties**

During the third quarter of 2019, Hong Kong's property market was affected seriously by continued economic and political issues. The US-China trade war and citywide demonstrations have led to an economic slowdown especially on the tourism and hospitality sectors. The market is further damped by the disease from Wuhan.

The progress of our projects is as follows:

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

Construction of both Phase 1 and Phase 2 of the project is all completed. The occupation permit for Phase 1 has been obtained. The occupation permit for Phase 2 and Certificate of Compliance for One Kowloon Peak estimated to be obtained by the end of 2020.

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

The occupancy rate of the three blocks is 70% which contributed good rental income to the Group. Enhancement and upgrading work for three units in Phase 2 is in progress and will put to market after completion.

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

The occupancy rate of the two blocks is 80% which contributed good rental income to the Group.

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

Renovation works for the two villas (Villa Begonia and Villa Crocus) to enhance the quality is completed.

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

Construction of Phase I has already been completed. 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**

Consumer spending, entertainment and tourism during this year's Lunar New Year was severely affected during the outbreak of coronavirus. According to China's Ministry of Commerce, consumer spending is continuously slowdown, particularly in major cities including Beijing, Shanghai and Shenzhen, severely suffered.

### *Cheuk Nang Garden*

*Longhwa, Shenzhen*

New sales campaign has commenced and 20,037.08 sq. m. have been sold since March 2019 and generate a sale of RMB1.17 billion to the Group.

### *Cheuk Nang • Riverside*

*Yue Hang Qu, Hangzhou*

The litigation with the main contractor is still in progress and the inspection for the development is being held up due to the main contractor refused to submit the necessary documents for inspection.

## **Macau Properties**

Macau's property housing market is now cooling down. Slower economic growth in Mainland China and the civil unrest in Hong Kong are hitting Macau's gaming and financial sectors. President Xi Jinping expressed his government's support for Macau in addition to its reliance on gaming revenues to become a world centre for tourism and financial activity during his recent visit in December 2019 for the twentieth anniversary of the return to Chinese sovereignty.

### *Golden Cotai No. 1*

*Estrada de Seac Pai Van, Coloane*

We are still waiting for the approval for our application for change of land use.

## **Malaysia Properties**

The economic growth of Malaysia has started to slow down in the second half of 2019. Following the outbreak of coronavirus, the Malaysia government has stopped issuing visas to Chinese people and thus, affect the tourist and hospitality sectors which in turn accelerate the declining economy and property market.

### *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 demand for hotels in Kuala Lumpur has decreased tremendously due to cancellation of booking after the outbreak of coronavirus in January 2020. The impact on our serviced apartment business will be reflected.

### *Phases II "Cecil Central Residence"*

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

The amended Development Order has been approved. Application for approval of the amended proposed car park plans was submitted.

## **POLICY AND OUTLOOK**

Following the outbreak of coronavirus in January 2020, our revenue from investment properties in China and overseas are largely affected. In order to stop the spread of virus in Hong Kong, except the stock exchange, many sectors of the society seems like ceasing its operation; Governmental services partially suspended. Staff of some companies have been allowed to work from home. Schools and public facilities are closed. The unemployment rate has reached 3.4% and has not yet peaked.

The impact of coronavirus on the economy is enormous. The Hong Kong government has already introduced relief measures to help those businesses and families which are affected by the disease. Although we are facing the most difficult circumstances, we still hope the disease will pass away in few months' time and the economies of China, overseas and Hong Kong will recover gradually and back to normal.

## **INTERIM DIVIDEND**

The Directors resolved to recommend the payment of an interim dividend of HK7.5 cents (2018: HK7.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 3 April 2020. The interim dividend will be paid on 5 May 2020.

## **CLOSURE OF REGISTER**

The register of members of the Company will be closed from 30 March 2020 to 3 April 2020 (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 2020.

## **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 2019.



## **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, 2019. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

The interim financial statements for the six months ended 31 December 2019 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 2019. 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 2019, 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:

<b>Name</b>	<b>Equity</b>	<b>Personal interest</b>	<b>Corporate interests</b>
Chao Sze-Tsung Cecil	Ordinary Shares of	30,756,519 shares	427,554,835 shares
Lee Ding Yue Joseph	Ordinary Shares of	1,765,767 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 2019 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, 27 February 2020