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**Armada Holdings Limited**

**(南潮控股有限公司)***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 583)**

**INTERIM RESULTS ANNOUNCEMENT**
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

## INTERIM RESULTS

The board of directors (the "Board" or "Directors") of Armada Holdings Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its group of companies (the "Group") for the six months ended 30 June 2016. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Company. The review report of the auditor will be included in the interim report sent to the shareholders of the Company (the "Shareholders").

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **(Unaudited) 30 June 2016 HK$'000** | (Audited) 31 December 2015 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | **1,267** | 96,954 |
| Investment properties | 4 | **2,441,500** | 1,923,400 |
| Investment in associates | | **3,905** | 4,350 |
| Available-for-sale financial assets | | **-** | 114,738 |
| | | **2,446,672** | 2,139,442 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | | **4,851** | 2,341 |
| Available-for-sale financial assets | | **24,058** | 24,522 |
| Cash and bank balances | | **271,753** | 39,487 |
| | | **300,662** | 66,350 |
| Assets of disposal group classified as held for sale | | **-** | 1,526,228 |
| | | **300,662** | 1,592,578 |
| **Total assets** | | **2,747,334** | 3,732,020 |

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

| | Notes | (Unaudited) 30 June 2016 HK$'000 | (Audited) 31 December 2015 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 5 | **156,775** | 156,106 |
| Reserves | | **2,546,869** | 3,161,849 |
| Shareholders' funds | | **2,703,644** | 3,317,955 |
| Non-controlling interests | | **-** | 56,534 |
| **Total equity** | | **2,703,644** | 3,374,489 |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **11,119** | 17,959 |
| | | **11,119** | 17,959 |
| | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 6 | **26,566** | 40,461 |
| Amounts due to associates | | **2,239** | 2,290 |
| Current income tax liabilities | | **3,766** | 506 |
| | | **32,571** | 43,257 |
| Liabilities of disposal group classified as held for sale | | **-** | 296,315 |
| | | **32,571** | 339,572 |
| | | | |
| **Total liabilities** | | **43,690** | 357,531 |
| **Total equity and liabilities** | | **2,747,334** | 3,732,020 |
| **Net current assets** | | **268,091** | 1,253,006 |
| **Total assets less current liabilities** | | **2,714,763** | 3,392,448 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | (Unaudited) For the six months ended 30 June **2016** **HK$'000** | 2015 HK$'000 (Restated) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | 2 | **26,848** | 26,182 |
| Other income | | **33** | 1,264 |
| Depreciation and amortisation | | **(1,413)** | (2,602) |
| Other operating expenses | | **(12,760)** | (5,071) |
| Fair value gain on investment properties | 1 | **114,100** | 137,100 |
| **Operating profit of continuing operations** | | **126,808** | 156,873 |
| Net finance income | | **746** | 742 |
| Share of losses of associates | | **(444)** | (4,316) |
| Gain on disposal of available-for-sale financial assets | | **27,062** | - |
| Gain on disposal of asset held for sale | | **30,089** | - |
| Gain on disposal of interests in an associate | | **-** | 43,349 |
| **Profit before income tax from continuing operations** | | **184,261** | 196,648 |
| Income tax credit/(expense) | 7 | **3,470** | (2,949) |
| **Profit for the period from continuing operations** | | **187,731** | 193,699 |
| **DISCONTINUED OPERATIONS** | | | |
| (Loss)/profit for the period from discontinued operations | 8(a) | **(12,999)** | 23,099 |
| Gain on disposal of discontinued operations | 8(b) | **1,421,731** | - |
| **Profit for the period from discontinued operations** | | **1,408,732** | 23,099 |
| **Profit for the period** | | **1,596,463** | 216,798 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| | (Unaudited) For the six months ended 30 June 2016 HK$'000 | 2015 HK$'000 (Restated) |
|---|---|---|
| **Other comprehensive income** | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties | **307,948** | - |
| Remeasurement of defined benefit plan obligation | **-** | 4,450 |
| Share of remeasurement of defined benefit plan obligation of an associate | **-** | (721) |
| | **307,948** | 3,729 |
| Items that may be/have been reclassified subsequently to profit or loss: | | |
| Fair value gain on available-for-sale financial assets | **8,392** | 2,880 |
| Fair value gain on available-for-sale financial assets released upon disposal | **(18,616)** | - |
| Currency translation difference on consolidation | **(152)** | 520 |
| Currency translation difference released upon disposal of asset held for sale | **10,170** | - |
| Currency translation difference released upon disposal of interests in an associate | **-** | 10,011 |
| Disposal of interests in subsidiaries | **(4,337)** | - |
| | **(4,543)** | 13,411 |
| **Other comprehensive income for the period, net of tax** | **303,405** | 17,140 |
| **Total comprehensive income for the period** | **1,899,868** | 233,938 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| | Notes | (Unaudited) For the six months ended 30 June **2016** **HK$'000** | 2015 HK$'000 (Restated) |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Continuing operations | | **187,731** | 193,699 |
| Discontinued operations | | **1,407,641** | 14,962 |
| Shareholders of the Company | | **1,595,372** | 208,661 |
| Non-controlling interests – discontinued operations | | **1,091** | 8,137 |
| | | **1,596,463** | 216,798 |
| **Total comprehensive income attributable to:** | | | |
| Continuing operations | | **495,625** | 205,869 |
| Discontinued operations | | **1,403,152** | 19,932 |
| Shareholders of the Company | | **1,898,777** | 225,801 |
| Non-controlling interests – discontinued operations | | **1,091** | 8,137 |
| | | **1,899,868** | 233,938 |
| **Earnings per share** | 9 | | |
| Continuing operations | | **11.99 cents** | 12.41 cents |
| Discontinued operations | | **89.90 cents** | 0.96 cents |
| Basic | | **101.89 cents** | 13.37 cents |
| Continuing operations | | **11.99 cents** | 12.40 cents |
| Discontinued operations | | **89.88 cents** | 0.96 cents |
| Diluted | | **101.87 cents** | 13.36 cents |
| | | **HK$'000** | HK$'000 |
| **Dividends** | 10 | **2,499,499** | 20,294 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICES

The unaudited condensed consolidated interim financial information ("interim financial information") for the six months ended 30 June 2016 has 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 Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the consolidated financial statements for the year ended 31 December 2015, including the restatement of the prior period comparatives in respect of the discontinued operations of the media business.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the critical accounting estimates and judgements were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

The investment properties were valued by an independent professional valuer to determine their fair value as at 30 June 2016. The Group has adopted such valuation and recognised a fair value gain of HK$114,100,000 accordingly. During the period, Yue King Building was reclassified as investment property upon completion of the disposal of media business. The principal assumptions underlying management's estimation of fair values of the investment properties and the basis of valuation are consistent with those applied in the consolidated financial statements for the year ended 31 December 2015, except for the rental rate estimated based on recent lettings of HK$32 psf to HK$100 psf (2015: HK$79.5 psf to HK$80.0 psf) for the office buildings. The lower the rents, the lower the fair value.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

**Key event**

On 5 April 2016, the Group has completed the sale of the entire issued voting shares of SCMP Newspapers Limited, SCMP Publications Limited, SCMP.com Limited, SCMP Retailing Limited and SCMP.com Holdings Limited (the "Target Companies") to Alibaba Investment Limited for a cash consideration of HK$2,133.3 million. Details of this disposal were set out in note 8(b) to the condensed consolidated financial information.

## 2. REVENUE AND SEGMENT INFORMAION

The chief operating decision-maker has been identified as the Managing Director of the Group, who reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group had three reportable segments: newspaper, magazine and property. Newspaper segment is engaged in the publication of *South China Morning Post*, *Sunday Morning Post* and other related print and digital publications. It derives its revenue mainly from advertising and sales of newspapers. Magazine segment is engaged in the publication of various magazines in Chinese and English language and related print and digital publications. Its revenue is derived from advertising and sales of magazines. Both Newspaper and Magazine segments are classified as discontinued operations. As the sale of media business was completed on 5 April 2016, the revenue and results of operations of Newspaper and Magazine segment in 2016 only covered the period up to 5 April 2016 as compared with a six-month operating results in 2015. Property segment holds various commercial and industrial properties in Hong Kong. It derives revenue through leasing out its properties.

The operating results from advertising board of Yue King property under the continuing operations, which had been originally classified under "Others" in the previous period, have been transferred to "Property" in the segment information presented herein as this asset forms part of the continuing operations of the Group after the disposal of its media business. The segment information for the period ended 30 June 2015 has been restated accordingly.

The chief operating decision-maker assesses the performance of the operating segments based on a number of measures, including adjusted EBITDA (defined as earnings before interest, tax, depreciation and amortisation, other income and fair value gain on investment properties) and profit or loss after tax. The Group considers that the measurement principles for profit or loss after tax are most consistent with those used in measuring the corresponding amounts in the Group's financial statements. Hence, profit or loss after tax is used for reporting segment profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the consolidated financial statements for the year ended 31 December 2015 and Note 1 above, except that interest in the profit or loss of associates is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group's consolidated financial statements.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies. Transactions between reportable segments are accounted for on arm's length basis.

Turnover consists of revenue from all of the Group's reportable segments, which comprise newspaper, magazine, property, as well as other segments whose contributions to the Group's revenue and profit or loss are below the quantitative threshold for separate disclosures. The turnover for the continuing and discontinued operations in the six months ended 30 June 2016 and 2015 were HK$237,459,000 and HK$549,277,000 respectively.

## 2. REVENUE AND SEGMENT INFORMAION (continued)

The segment information for the six months ended 30 June 2016 and 2015 is as follows:

(a) Reportable segment profit or loss

**For the six months ended 30 June 2016**

| | (Unaudited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Continuing operations** | | | **Discontinued operations** | | | | |
| | **Property HK$'000** | **Others HK$'000** | **Sub-total HK$'000** | **Newspaper HK$'000** | **Magazine HK$'000** | **Others HK$'000** | **Sub-total HK$'000** | **Total HK$'000** |
| **Total segment revenue** | **27,534** | **-** | **27,534** | **152,739** | **58,254** | **1,762** | **212,755** | **240,289** |
| **Inter-segment revenue** | **(686)** | **-** | **(686)** | **(21)** | **(2,064)** | **(59)** | **(2,144)** | **(2,830)** |
| **Revenue from external customers** | **26,848** | **-** | **26,848** | **152,718** | **56,190** | **1,703** | **210,611** | **237,459** |
| **Reportable segment profit/(loss)** | **135,485** | **22,723** | **158,208** | **(18,149)** | **5,342** | **(313)** | **(13,120)** | **145,088** |

For the six months ended 30 June 2015

| | Continuing operations | | | Discontinued operations | | | | |
|---|---|---|---|---|---|---|---|---|
| | Property HK$'000 (restated) | Others HK$'000 (restated) | Sub-total HK$'000 (restated) | Newspaper HK$'000 (restated) | Magazine HK$'000 (restated) | Others HK$'000 (restated) | Sub-total HK$'000 (restated) | Total HK$'000 (restated) |
| Total segment revenue | 27,559 | - | 27,559 | 373,039 | 138,316 | 15,934 | 527,289 | 554,848 |
| Inter-segment revenue | (1,377) | - | (1,377) | (1,117) | (3,077) | - | (4,194) | (5,571) |
| Revenue from external customers | 26,182 | - | 26,182 | 371,922 | 135,239 | 15,934 | 523,095 | 549,277 |
| Reportable segment profit/(loss) | 152,174 | 1,996 | 154,170 | (318) | 26,378 | (2,768) | 23,292 | 177,462 |

## 2. REVENUE AND SEGMENT INFORMAION (continued)

(b) Reconciliation of reportable segment profit or loss

| | (Unaudited) For the six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | 2015 | | |
| | **Continuing operations HK$'000** | **Discontinued operations HK$'000** | **Total HK$'000** | Continuing operations HK$'000 (Restated) | Discontinued operations HK$'000 (Restated) | Total HK$'000 (Restated) |
| Profit/(loss) for reportable segments | **135,485** | **(12,807)** | **122,678** | 152,174 | 26,060 | 178,234 |
| Profit/(loss) for other segments | **22,723** | **(313)** | **22,410** | 1,996 | (2,768) | (772) |
| | **158,208** | **(13,120)** | **145,088** | 154,170 | 23,292 | 177,462 |
| Reconciling items : | | | | | | |
| Elimination of inter-segment transactions | **(122)** | **122** | **-** | 192 | (192) | - |
| Share of losses of associates under equity method of accounting | **(444)** | **(1)** | **(445)** | (4,316) | (1) | (4,317) |
| Deferred tax on undistributed profit of an associate | **-** | **-** | **-** | 304 | - | 304 |
| Gain on disposal of discontinued operations | **-** | **1,421,731** | **1,421,731** | - | - | - |
| Gain on disposal of asset held for sale | **30,089** | **-** | **30,089** | - | - | - |
| Gain on disposal of interests in an associate | **-** | **-** | **-** | 43,349 | - | 43,349 |
| | **29,523** | **1,421,852** | **1,451,375** | 39,529 | (193) | 39,336 |
| Profit for the period | **187,731** | **1,408,732** | **1,596,463** | 193,699 | 23,099 | 216,798 |

## 3. PROPERTY, PLANT AND EQUIPMENT

| | (Unaudited) | | | | |
|---|---|---|---|---|---|
| | **Leasehold land and buildings HK$'000** | **Plant & machinery HK$'000** | **Other fixed assets HK$'000** | **Assets in progress HK$'000** | **Total HK$'000** |
| At 1 January 2016 | 89,617 | 38 | 6,637 | 662 | 96,954 |
| Additions | - | - | 483 | 1,295 | 1,778 |
| Depreciation | (923) | (3) | (487) | - | (1,413) |
| Revaluation upon transfer to investment properties | 307,948 | - | - | - | 307,948 |
| Transfer to investment properties | (396,642) | (35) | (7,323) | - | (404,000) |
| Reclassification | - | - | 1,957 | (1,957) | - |
| **Net book value at 30 June 2016** | **-** | **-** | **1,267** | **-** | **1,267** |
| At 30 June 2016 | | | | | |
| Cost | - | - | 4,792 | - | 4,792 |
| Accumulated depreciation | - | - | (3,525) | - | (3,525) |
| **Net book value at 30 June 2016** | **-** | **-** | **1,267** | **-** | **1,267** |

## 4. INVESTMENT PROPERTIES

| | **(Unaudited) 30 June 2016 HK$'000** | (Audited) 31 December 2015 HK$'000 |
|---|---|---|
| Opening balance | **1,923,400** | 1,732,000 |
| Transfer from property, plant and equipment | **404,000** | - |
| Fair value gain | **114,100** | 191,400 |
| Ending balance | **2,441,500** | 1,923,400 |

## 5. SHARE CAPITAL

| | **(Unaudited) 30 June 2016** | | (Audited) 31 December 2015 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount HK$'000** | Number of shares | Amount HK$'000 |
| Authorised: | | | | |
| Ordinary shares of HK$0.10 each | **5,000,000,000** | **500,000** | 5,000,000,000 | 500,000 |
| Issued and fully paid: | | | | |
| Opening balance | 1,561,057,596 | 156,106 | 1,561,057,596 | 156,106 |
| Share issued under share option scheme | 6,688,000 | 669 | - | - |
| Ending balance | 1,567,745,596 | 156,775 | 1,561,057,596 | 156,106 |

Pursuant to the employee share option scheme of the Group, 6,688,000 options were exercised during the period ended 30 June 2016 which resulted in the equal number of shares being issued, with cash proceeds of HK$9,925,000. There were no shares issued under share option scheme for the period ended 30 June 2015.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following accounts payable by invoice date:

| | **(Unaudited) 30 June 2016** | | (Audited) 31 December 2015 | |
|---|---|---|---|---|
| | **Balance HK$'000** | **Percentage %** | Balance HK$'000 | Percentage % |
| 0 to 30 days | - | - | 29,939 | 69.6 |
| 31 to 60 days | - | - | 9,217 | 21.4 |
| 61 to 90 days | - | - | 1,874 | 4.4 |
| Over 90 days | - | - | 1,961 | 4.6 |
| Total accounts payable | - | - | 42,991 | 100.0 |
| Accrued liabilities | **26,566** | | 188,011 | |
| | **26,566** | | 231,002 | |
| Less: Liabilities of disposal group classified as held for sale | - | | (190,541) | |
| Total accounts payable and accrued liabilities | **26,566** | | 40,461 | |

## 7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax of continuing operations has been provided for at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. 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.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

| | **(Unaudited) For the six months ended 30 June** | |
|---|---|---|
| | **2016 HK$'000** | 2015 HK$'000 (Restated) |
| Current income tax | | |
| Hong Kong profits tax | **3,370** | 3,617 |
| Deferred income tax | | |
| Deferred tax credits | **(6,840)** | (668) |
| | **(3,470)** | 2,949 |

## 8. DISCONTINUED OPERATIONS

The results of the Target Companies together with the related gain on disposal have been presented as discontinued operations in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2016. The prior period comparatives of the discontinued operations have been restated accordingly.

(a) Analysis of the results of the discontinued operations is as follows:

| | **(Unaudited) For the six months ended 30 June** | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Revenue** | **210,611** | 523,095 |
| Other income | **353** | 1,006 |
| Staff costs | **(137,731)** | (270,126) |
| Cost of production materials | **(35,148)** | (89,643) |
| Rental and utilities | **(6,405)** | (14,861) |
| Depreciation and amortisation | **-** | (29,794) |
| Advertising and promotion | **(8,028)** | (15,293) |
| Other operating expenses | **(34,884)** | (77,550) |
| **Operating (loss)/profit of discontinued operations** | **(11,232)** | 26,834 |
| Net finance income | **507** | 1,865 |
| Share of losses of associates | **(1)** | (1) |
| **(Loss)/profit before income tax from discontinued operations** | **(10,726)** | 28,698 |
| Income tax expense | **(2,273)** | (5,599) |
| **(Loss)/profit for the period from discontinued operations** | **(12,999)** | 23,099 |

## 8. DISCONTINUED OPERATIONS (continued)

(b) Disposal of subsidiaries (the Target Companies)

| | (Unaudited) HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Intangible assets | 176,630 |
| Property, plant and equipment | 406,024 |
| Defined benefit plan's assets | 56,328 |
| Interests in associates | 319 |
| Available-for-sale financial assets | 11 |
| Deposit paid for property, plant and equipment | 1,077 |
| Inventories | 14,849 |
| Accounts receivable | 229,574 |
| Prepayments, deposits and other receivables | 24,349 |
| Taxation recoverable | 1,800 |
| Cash and bank balances | 92,252 |
| Trade payables and accrued liabilities | (157,447) |
| Amount due to an associate | (955) |
| Subscription in advance | (30,780) |
| Loan from a non-controlling shareholder | (2,240) |
| Deferred income tax liabilities | (63,266) |
| Non-controlling interests | (35,705) |
| | 712,820 |
| Translation reserve | (4,341) |
| Investment revaluation reserve | 4 |
| | 708,483 |
| Expenses incurred on disposal during the current period | 3,094 |
| | 711,577 |
| Cash consideration | 2,133,308 |
| Profit on disposal of subsidiaries | 1,421,731 |

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of HK$1,595,372,000 (2015: HK$208,661,000), the profit from continuing operations attributable to shareholders of HK$187,731,000 (2015: HK$193,699,000), the profit from discontinued operations attributable to shareholders of HK$1,407,641,000 (2015: HK$14,962,000) and the weighted average of 1,565,727,948 shares in issue (2015: 1,561,057,596 shares in issue) during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from exercise of all outstanding share options granted under the Company's share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined with reference to the latest closing market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share is based on 1,565,727,948 shares (2015: 1,561,057,596 shares) which is the weighted average number of shares in issue during the period plus the weighted average of 470,031 shares (2015: 1,263,940 shares) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

## 10. DIVIDENDS

A 2015 final dividend of HK1.5 cents per share, totaling HK$23,516,000 was paid out of the Company's contributed surplus in June 2016. A 2014 final dividend of HK3.8 cents per share, totaling HK$59,320,000 was paid out of the Company's retained profits in June 2015.

A special cash payment of HK$1.594327 per share, totaling HK$2,499,499,000 was paid out of the Company's retained profits and contributed surplus in April 2016.

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: HK1.3 cents per share, totaling HK$20,294,000).

## 11. SUBSEQUENT EVENT

On 12 August 2016, the Company announced that, Kerry Media Limited ("KML"), the controlling shareholder of the Company, has signed a share purchase agreement with Great Wall Pan Asia International Investment Co., Limited ("Purchaser") pursuant to which it has agreed to sell (and procure the sale of) 1,163,151,308 shares in the Company (representing approximately 74.19% of the total issued voting shares of the Company) to the Purchaser. As stated in the announcement, it is intended by the Purchaser that upon completion, the shares in the Company acquired by the Purchaser will be held by a wholly-owned subsidiary of the Purchaser, Great Wall Pan Asia (BVI) Holding Limited ("Great Wall"). On the same day, Armada Property Investment Limited ("Armada Property"), a wholly owned subsidiary of the Company, signed a sale and purchase agreement with Wealth Luck Holdings Limited ("Wealth Luck"), a wholly-owned subsidiary of Kerry Properties Limited, for the sale of Armada Property's entire interest in Coastline International Limited ("Coastline Disposal"). The consideration for Coastline Disposal is HK$930 million. The completion of the Coastline Disposal is subject to the satisfaction of certain conditions precedent. The Coastline Disposal is a major and connected transaction under the Listing Rules and constitutes a special deal under Rule 25 of the Takeovers Code and is subject to reporting, announcement, circular, independent financial advisor and independent shareholders' approval requirement under the Listing Rules and Takeovers Code.

Details of the Coastline Disposal and conditions are set out in the Joint Announcement issued by the Company and Great Wall on 12 August 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results of the Group

The Group's consolidated operating results for the six months ended 30 June 2016 and 2015 were as follows:

| *(HK$ millions, except per share amounts)* | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2016** | 2015 (Restated) | % Change |
| **Continuing operations** | | | |
| **Revenue** | **26.8** | 26.2 | 2 |
| Other income | **-** | 1.3 | * |
| Depreciation and amortisation | **(1.4)** | (2.6) | (46) |
| Other operating expenses | **(12.7)** | (5.1) | * |
| Fair value gain on investment properties | **114.1** | 137.1 | (17) |
| **Operating profit** | **126.8** | 156.9 | (19) |
| Net finance income | **0.7** | 0.7 | - |
| Share of losses of associates | **(0.4)** | (4.3) | (91) |
| Gain on disposal of available-for-sale financial assets | **27.1** | - | * |
| Gain on disposal of asset held for sale | **30.1** | - | * |
| Gain on disposal of interests in an associate | **-** | 43.3 | * |
| **Profit before income tax** | **184.3** | 196.6 | (6) |
| Income tax credit/(expense) | **3.5** | (2.9) | * |
| **Profit for the period from continuing operations** | **187.8** | 193.7 | (3) |
| **Discontinued operations** | | | |
| (Loss)/profit for the period from discontinued operations | **(13.0)** | 23.1 | * |
| Gain on disposal of discontinued operations | **1,421.7** | - | * |
| **Profit for the period from discontinued operations** | **1,408.7** | 23.1 | * |
| **Profit for the period** | **1,596.5** | 216.8 | * |
| Non-controlling interests – discontinued operations | **(1.1)** | (8.1) | (86) |
| **Profit attributable to shareholders** | **1,595.4** | 208.7 | * |
| **Earnings per share (HK cents)** | **101.9** | 13.4 | * |

** Represents a change in excess of 100%*

Profit attributable to shareholders in the first half of 2016 was $1,595.4 million, which included $1,421.7 million gain on disposal of media business, $114.1 million fair value gain on investment properties, $27.1 million gain on disposal of available-for-sale financial assets and $30.1 million gain on disposal of asset held for sale. If the above gains are excluded, net profit attributable to shareholders in the first half of 2016 was $2.4 million, compared to $28.3 million in the first half of 2015. The decrease in net profit was mainly due to the Group's media business having been discontinued as a result of the disposal to Alibaba Investment Limited.

**Financial Review by Business**

The Group completed the disposal of its media business to Alibaba Investment Limited on 5 April 2016. Consequently, this financial review will only cover the property business.

***Continuing operations***

**Property**

As mentioned in 2015 annual report, the operating results of the Property segment have been restated to include contribution from the advertising boards of Yue King Building, which was reported under Others segment in the past.

Revenue for the first half of 2016 was flat at $27.5 million (First half of 2015: $27.6 million), as higher income from rental reversion upon lease renewal was offset by lower income from advertising as a result of softer market conditions in Hong Kong.

The Group's investment property portfolio comprises a vacant property in TV City, certain floors of the Bank of America Tower, Yue King Building, Ko Fai Industrial Building and Seaview Estate. Yue King Building was reclassified as investment property upon completion of the disposal of media business. The original cost of the portfolio was $1,048 million and the carrying value as of 30 June 2016 was $2,441.5 million.

The Group's investment properties were revalued at 30 June 2016 by independent professionally qualified valuers, DTZ Cushman & Wakefield Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The revaluation gains or losses are shown as "Fair value gain or loss on investment properties" in the income statement. Fair values of the office buildings and industrial properties are derived using the income capitalisation approach and fair value of the vacant property is derived using the residual method. There were no changes to the valuation techniques during the period.

**TV City**

The Group acquired TV City in 1996 and has held this piece of property for long-term investment. TV City is held by Coastline International Limited, a wholly-owned subsidiary of the Company. On 12 August 2016, Armada Property Investment Limited ("Armada Property"), a wholly owned subsidiary of the Company, signed a sale and purchase agreement with Wealth Luck Holdings Limited, a wholly-owned subsidiary of Kerry Properties Limited, for the sale of Armada Property's entire interest in Coastline International Limited ("Coastline Disposal"). The consideration for Coastline Disposal is HK$930 million. The completion of the Coastline Disposal is subject to the satisfaction of certain conditions precedent. The Coastline Disposal is a major and connected transaction under the Listing Rules and constitutes a special deal under Rule 25 of the Takeovers Code and is subject to reporting, announcement, circular, independent financial advisor and independent shareholders' approval requirement under the Listing Rules and Takeovers Code.

Details of the Coastline Disposal and conditions are set out in the Joint Announcement issued by the Company and Great Wall Pan Asia (BVI) Holding Limited on 12 August 2016.

**Investment in associates**

The Group had classified the remaining portion of the investment in The Post Publishing Public Company Limited, an associate of the Group, as asset held for sale as at 31 December 2015. During the period, the Group disposed the entire remaining investment and recognised a gain on disposal of $30.1 million. As the investment is not a core business of the Group, its disposal allows the Group to focus on its property business. The terms and conditions of the disposal were determined after arms' length negotiations between the Group and the independent third party purchasers.

**Liquidity and Capital Resources**
Cash and bank balances are held predominantly in Hong Kong dollars. The Group has no significant exposure to foreign exchange fluctuations. There was no borrowing as at 30 June 2016. The current ratio was 9.2 times.

The Group has maintained a strong cash position and expects its cash and cash equivalents and cash generated from operations to be adequate to meet its working capital requirements and to pay dividends.

**Operating Activities**
Net cash used in operating activities for the first half of 2016 was $15.6 million, compared with net cash generated of $110.3 million in 2015. The decrease in operating cash flows was mainly due to lower revenues in discontinued operations during the current period.

**Investment Activities**
Net cash generated from investing activities for the period was $2,214.8 million, compared with $50.3 million in 2015. The increase resulted mainly from the cash flow of $2,038.0 million in relation to the disposal of the media business and sales proceeds of the Group's available-for-sale investments of $132.7 million.

Capital expenditure for the period was $11.0 million, compared with $20.3 million in the same period last year. Substantially all of the capital expenditure was incurred in the first three months of 2016 in connection with the media business.

**Financing Activities**
Net cash used in financing activities was $2,535.0 million representing mainly the special cash payment and the 2015 final dividend paid to the shareholders of the Company.

## OUTLOOK
The Group expects its rents from its investment properties and income from its advertising business to remain stable in the remaining months of 2016. The Group will continue to explore ways to realise value for shareholders and return excess cash to shareholders.

## STAFF
As at 30 June 2016, the Group had 4 employees compared with 1,033 as at 31 December 2015. In view of the Group's business after the disposal of the media business, the Group's management has reviewed the Group's staff structure and believes the current staff structure and remuneration policy are appropriate for the Group. The Group's management will constantly review its staff and remuneration policies to ensure they are appropriate for the Group and in-line with market standard.

## INTERIM DIVIDEND
A special cash payment of HK$1.594327 per share, totaling HK$2,499,499,000 was paid out of the Company's retained profits and contributed surplus on 6 April 2016.

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: HK1.3 cents per share).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2016.

## CORPORATE GOVERNANCE

During the period, the Group's corporate governance practices have complied with the applicable code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules. The Group also adheres to the recommended best practices of the Corporate Governance Code insofar as they are relevant and practicable.

## AUDIT COMMITTEE

The Company established an Audit Committee in 1998 with written terms of reference. With effect from 6 June 2016, Dr David J. Pang and Dr the Hon. Sir David Li Kwok Po ceased to be members of the Audit Committee. Mr Chua Phuay Hee and Mr Tse Kai Chi were appointed as members of the Audit Committee.

The Audit Committee currently comprises two Independent Non-executive Directors, namely Mr Wong Kai Man as Committee Chairman and Mr Chua Phuay Hee and a Non-executive Director, Mr Tse Kai Chi. The Audit Committee met once in the first six months of 2016. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2016.

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee in 2000 with written terms of reference. With effect from 6 June 2016, Dr the Hon. Sir David Li Kwok Po ceased to be the Committee Chairman, Mr Wong Kai Man, and Ms Kuok Hui Kwong ceased to be the members of the Remuneration Committee.

The Remuneration Committee currently comprises two Independent Non-executive Directors, namely Dr Yeung Hin Chung John as Committee Chairman and Mr Chua Phuay Hee, and an Executive Director, Ms Tong Shao Ming. Their appointments were all effective from 6 June 2016.

## NOMINATION COMMITTEE

The Company established a Nomination Committee in 2005 with written terms of reference. With effect from 6 June 2016, Dr Fred Hu Zu Liu ceased to be Committee Chairman and Dr David J. Pang was re-designated as the Chairman of the Nomination Committee. Dr Yeung Hin Chung John was appointed as a member of the Nomination Committee.

The Nomination Committee currently comprises two Independent Non-executive Directors, namely Dr Yeung Hin Chung John and Mr Wong Kai Man and a Non-executive Director, Dr David J. Pang as Committee Chairman. The Nomination Committee met once in the first six months of 2016.

## STRATEGY COMMITTEE

The Company established a Strategy Committee in 2010 with written terms of reference. The Strategy Committee comprised an Executive Director, Ms Kuok Hui Kwong as Committee Chairman, a Non-executive Director cum Chairman, Dr David J. Pang and an Independent Non-executive Director, Dr Fred Hu Zu Liu. The Strategy Committee had been disbanded effective from the conclusion of the annual general meeting of the Company held on 6 June 2016.

**PUBLIC FLOAT**
On 12 August 2016, Kerry Media Limited signed a share purchase agreement (the "GW SPA") with Great Wall Pan Asia International Investment Co., Limited ("Purchaser") to sell, and procure the sale of, 1,163,151,308 shares in the Company (representing approximately 74.19% of the total issued voting shares of the Company), to the Purchaser. As stated in the announcement, it is intended by the Purchaser that upon completion, the shares in the Company acquired by the Purchaser will be held by a wholly-owned subsidiary of the Purchaser, Great Wall Pan Asia (BVI) Holding Limited ("Great Wall").

If the GW SPA is completed, Great Wall will, upon Completion, be required to make a mandatory unconditional general offer (the "Offer") in cash for all the issued shares in the Company, other than those already owned or agreed to be acquired by Great Wall and its concert parties.

Great Wall has confirmed that (i) it intends to maintain the listing of the Company's shares on the Stock Exchange after the close of the Offer and (ii) it will, and it will procure that the Company will, undertake to the Stock Exchange to take appropriate steps to restore the public float in the Company's shares after closing of the Offer, which may include Great Wall selling some of its shares in the Company to restore the Company's public float.

On behalf of the Board
**David J. PANG**
*Chairman*

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises:

*Non-executive Directors*
Dr David J. Pang (Chairman) and Mr Tse Kai Chi

*Independent Non-executive Directors*
Dr Yeung Hin Chung John, Mr Chua Phuay Hee and Mr Wong Kai Man

*Executive Directors*
Ms Tong Shao Ming and Mr Chak Chung Luen Albert

* *For identification purpose only*