CHEUK NANG (HOLDINGS) LIMITED
卓能(集團)有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 131)

RESULTS
FOR THE YEAR ENDED 30 JUNE 2017

CHAIRMAN'S STATEMENT

I take pleasure to present to shareholders the report of Cheuk Nang (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 30 June 2017.

RESULTS AND DIVIDEND

The consolidated profit after income tax of our Group for the year ended 30 June 2017 is HK$449,353,000 (2016: HK$342,363,000) representing an increase of 31.3% comparing to last year. Details are set out in the consolidated statement of profit or loss.

The Directors resolved to recommend the payment of a final dividend of HK13.5 cents (2016: HK11 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 30 November 2017, which together with the interim dividend of HK6.5 cents (2016: HK5.5 cents) per share, makes a total distribution of HK20 cents (2016: HK16.5 cents) per share this year, representing an increase of 21.2% when comparing to last year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 27 December 2017.

SCRIP DIVIDEND

The Company proposes that a scrip dividend election will be offered to shareholders with Hong Kong addresses. Details of the scrip dividend scheme will be announced later.

EXPIRY OF WARRANTS

The Warrants (Warrant code: 1457) ("2017 April Warrants") was expired on 21 April 2017. There were a total number of 13,975,530 units of warrants exercised (being 98.78% of the total number of warrants issued) and a total number of 13,975,530 shares were issued. The remaining 172,663 units of warrants were unexercised and expired on 21 April 2017.

ISSUE OF NEW BONUS WARRANTS

On 21 June 2017, the Company issued 19,676,096 units of bonus warrants on the basis of one bonus warrant for every twenty-seven existing shares of the Company held by the shareholders who appeared at the register of members as at 14 June 2017 (Warrant code: 1590) ("2018 June Warrants"). The holders of 2018 June Warrants are entitled to subscribe at any time during 21 June 2017 to 21 June 2018 for fully paid shares of the Company at an initial subscription price of HK$4.40 per share (subject to adjustment). During the year ended 30 June 2017, there is no warrant being exercised.

REVIEW OF OPERATIONS AND PROSPECTS

Hong Kong Properties

The sales of residential properties started to have strong improvement in 2017. Developers are willing to offer more privileges to potential purchasers thus boost the market sentiment. On the leasing front, the market continued to see robust activity during the peak season before the start of the new school year. Some record-breaking transactions were recorded.

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

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

   Residential project developed in two phases.

   Phase 1 comprised of a block of 21-storey building with 49 residential units (including 6 duplex units) and 39 car parking spaces. The gross floor area of the units ranged from 1,200 square feet to 3,500 square feet. Phase 2 comprised of clubhouse, 29 car parking spaces and five 3-storey garden villas. The gross floor area of the villas ranged from approximately 1,800 square feet to 3,000 square feet. The clubhouse provides recreational facilities and swimming pool.

   A total of 14 units of Phase 1 are sold which generated a sales proceed of HK$187,335,000 and 19 units are leased. A further extension of the material date to 31 December 2017 for both Phases 1 and 2 was granted by the Architect and informed all the purchasers and the relevant Government department due to difficulties of the main contractor lead to strike or lock-out of workmen at the site. The main contractor has resigned with effect from 31 May 2017. The Group has engaged a new main contractor to takeover the works on 1 July 2017. It is expected that the Occupation Permit of Phase 2 will be obtained in the next few months.

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

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

The subdivision works of two large units in Block 1 into four smaller units has been completed and were leased out. The occupancy rate maintained at 100%.

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

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

The occupancy rate of the two blocks is 93% which contributed satisfactory rental income to the Group. The sub-division work of three large units in Block 1 into six smaller units has not yet commenced pending the expiry of the existing tenancy.

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

A residential premises comprised of two deluxe 3-storey residential villas, namely Villa Begonia and Villa Crocus. Each villa has its own private swimming pool, garden, internal lift and two car parking spaces. Since the two villas have been finished for years, renovation works to upgrade the quality of the villas is in progress.

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

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

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

Phases I & II

The Occupation Permit of Phase I already issued. The superstructure work of Phase II was completed. The main contractor has resigned due to poor performance with effect from 31 May 2017 and a new main contractor was appointment in replacement on 1 July 2017.

China Property

The Government's purchase restrictions introduced in 2016 are expected to brought forward to year 2018. However, sentiment for property market continue to be positive for first line cities, supported by the confidence of many home buyers that there is still room for upward growth. The number of new supply of residential units is stable. The new supply of residential land for development was increased in 2017.

Cheuk Nang Garden

Longhwa, Shenzhen

The development is situated at Lot No. A819-0128, North of Bao Lung Gong Lu, Longhwa, Bao An District with land area of 51,323 square metres (approximately 552,454 square feet). The total approved gross floor area is 152,230 square metres (approximately 1,638,604 square feet). It is planned to build 9 blocks of multi-storey buildings consisted of 1,089 residential units, 1,054 car parking spaces, a 3-storey kindergarten, clubhouse, garden and shopping centre with provision of swimming pool, tennis court, basketball court. The size of the residential units ranged from 70 square metres (753 square feet) to 147 square metres (1,582 square feet).

All relevant approval and certificate including the 規劃及竣工驗收合格證 were issued. The sale and rental of the remaining units will be resumed after the decoration of the units is completed. The leasing of the commercial portion of the development is now in progress.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The development is situated in Yue Hang Qu, Hangzhou with land area of 38,983 square metres (419,613 square feet). The total approved gross floor area is 122,483 square metres (1,318,407 square feet). It is planned to build 14 blocks of multi-storey buildings which provides 849 residential units, 22 deluxe villas by the riverside, 780 car parking spaces, clubhouse, recreational facilities and shopping centre. The size of the residential units and villas ranged from 65 square metres (700 square feet) to 270 square metres (2,906 square feet).

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

Macau Property

The residential market in Macau become active in 2017. Reference to the statistic of the Finance Department, the transaction volume and the property price has been increased by 40% and 15% respectively. The Government has tightened the mortgage ratio by 10% to 20% on those non-first hand buyers and non-Macau citizen on 5 May 2017 aimed to cool down the overheat market.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The development is situated at Estrada de Seac Pai Van in Coloane, Macau with site area of 9,067 square metres (97,597 square feet). The approved marketable gross floor area is approximately 155,714 square metres (1,676,000 square feet) comprising residential portion 74,229 square metres (799,001 square feet), commercial portion 13,338 square metres (143,570 square feet), hotel portion 38,225 square metres (411,454 square feet) and car park portion 29,920 square metres (322,059 square feet). It comprised of 5 blocks of multi-storey buildings providing 878 residential units, 1 block of hotel, large shopping podium and 1,031 automobile parking spaces. The size of the residential units ranged from approximately 32 square metres (344 square feet) to 217 square metres (2,336 square feet). Swimming pool, clubhouse, recreation facilities and landscape garden are provided.

The building plan (ante projecto) has been approved by the government. Our lawyer in Macau has submitted the application to the Macau government for a new land lease contract and negotiation for the premium payable and relative lease terms is being proceeded by our consultant team in Macau. The preparation of detailed construction and structural drawings (projecto de obra) has commenced. The site formation and rock excavation design and methodology will be submitted to the government soon in due course.

Malaysia Property

The Malaysia's economy was rebounded slightly in the first quarter of 2017 driven mainly by higher private expenditure. The labour market remained stable with unemployment rate at 3.5%. To remain accommodative to economic activity and to support domestic demand, Bank Negara Malaysia continued to maintain the lending rate unchanged. During the period under review, the high-end condominium market in Kuala Lumpur remained less active as potential buyers and investors continued to adopt the 'wait-and-see' approach.

Our development are as follows:

Phase I named "Parkview"

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur

The development is a ready built 41-storey residential building providing 417 residential units and 163 car parking spaces. The total approved gross floor area is 325,626 square feet. Most units have already been sold.

27 unsold units are operated as serviced apartments. Renovation of the vacant serviced apartments has been commenced and will be completed in stages. The other units are being rented.

Phase II named "Cecil Central Residence"

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

The development currently comprised of 4 blocks of residential condominium with total approved gross floor area is 1,708,648 square feet. The main podium is completed upto Level 5. The revised building plans to convert the large units into small units has been submitted to the authorities for approval. During the year, various negotiation has been conducted by our architect with the government authorities regarding our new plans.

INVESTMENT IN STOCK MARKET AND BONDS

The market price of our investment in the Hong Kong stocks as at 30 June 2017 is HK$15,143,000 as compared to HK$19,970,000 as at 30 June 2016. During the year, a total of HK$11,289,000 stock was sold and no stock was purchased. Total investment in Bonds market is HK$132,755,000. A total of HK$112,387,000 was purchased and HK$10,335,000 was sold.

OUTLOOK

The US Federal Reserve decided to keep the interest rate unchanged in July, and another interest-rate hike is generally expected to remain steady during the remainder of the year. Hong Kong's supply of new private residence will climb to a new peak over the next three to four years, the property market remains optimistic in view of the strong demand.

Besides residential, there is shortage of supply in Hong Kong office market, hence the sale price and rental is improved due to many Chinese and connected companies coming to Hong Kong to set up their establishment.

Our Group's investment outside Hong Kong will continue to perform well.

DIRECTORS AND STAFF

I am most grateful on behalf of the Group for the dedication of our directors and staff during the year.

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
Executive Chairman

Hong Kong, 26 September 2017

RESULTS

The Group's audited consolidated income statement for the year ended 30 June 2017 is listed as follows:

Consolidated Statement of Profit or Loss

For the year ended 30 June 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	4	**1,682,786**	45,806
Direct costs		**(432,394)**	(20,343)
Gross profit		**1,250,392**	25,463
Other income	6	**17,115**	11,793
Changes in fair value of investment properties		**74,213**	1,213,705
Changes in fair value of financial assets and liabilities at fair value through profit or loss		**4,253**	(5,590)
Administrative expenses		**(125,712)**	(59,085)
Finance costs	7	**(22,963)**	(29,071)
Profit before income tax	8	**1,197,298**	1,157,215
Income tax expense	9	**(747,945)**	(814,852)
Profit for the year		**449,353**	342,363
Profit for the year attributable to:			
Owners of the Company		**440,660**	315,348
Non-controlling interests		**8,693**	27,015
		449,353	342,363
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	11	**HK$0.86**	HK$0.64
Diluted	11	**HK$0.85**	HK$0.64

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**5,644,854**	5,549,315
Property, plant and equipment		**31,199**	32,834
Other non-current asset		**950**	950
Other financial assets		**132,755**	27,955
Deferred tax assets		**11,732**	10,610
		5,821,490	5,621,664
Current assets			
Properties under development for sale		**1,422,132**	1,955,440
Completed properties for sale		**671,441**	373,815
Financial assets at fair value through profit or loss		**15,143**	19,970
Trade and other receivables	12	**30,221**	146,726
Tax recoverable		**68**	415
Bank balances and cash		**913,706**	1,032,612
		3,052,711	3,528,978
Current liabilities			
Bank overdraft		**–**	3,630
Trade and other payables	13	**363,488**	1,597,911
Amounts due to non-controlling shareholders		**239,990**	239,990
Amount due to a related company		**1,468**	1,523
Interest-bearing borrowings		**489,791**	414,025
Tax payable		**420,818**	863
		1,515,555	2,257,942
Net current assets		**1,537,156**	1,271,036
Total assets less current liabilities		**7,358,646**	6,892,700

	Notes	**2017** HK$'000	2016 HK$'000
Non-current liabilities			
Interest-bearing borrowings		**654,690**	652,119
Trade and other payables	13	**3,970**	10,681
Advances from a director		**175,636**	124,959
Deferred tax liabilities		**758,646**	803,931
		1,592,942	1,591,690
Net assets		**5,765,704**	5,301,010
EQUITY			
Share capital		**2,050,018**	1,910,644
Reserves		**3,558,446**	3,241,819
Equity attributable to the owners of the Company		**5,608,464**	5,152,463
Non-controlling interests		**157,240**	148,547
Total equity		**5,765,704**	5,301,010

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. GENERAL INFORMATION

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

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

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

The financial statements for the year ended 30 June 2017 were approved for issue by the board of directors on 26 September 2017.

2. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning or after 1 July 2016

In the current year, the Group has applied for the first time the following amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's consolidated financial statements for the annual period beginning on 1 July 2016.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 10 and HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual improvements 2012-2014 cycle	Annual improvements project

The application of the amendments to HKFRSs in the current year has no materials impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended HKFRSs that are relevant to the Group have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9	Financial Instruments(2)
HKFRS 15	Revenue From Contracts with Customers(2)
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Costumers(2)
HKFRS 16	Leases(3)
Amendments to HKAS 7	Disclosure Initiative(1)
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses(1)
Amendments to HKAS 40	Transfers of Investment Property(2)
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration(2)
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to a number of HKFRSs(1)(2)

(1) Effective for annual period beginning on or after 1 January 2017
(2) Effective for annual period beginning on or after 1 January 2018
(3) Effective for annual period beginning on or after 1 January 2019

The directors anticipate that all the relevant new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. 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 consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer
– Step 2: Identify the performance obligations in the contract
– Step 3: Determine the transaction price
– Step 4: Allocate the transaction price to the performance obligations in the contract
– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 16 Leases

HKFRS 16 Leases applies a control model to the identification of leases, distinguishing between leases and services contracts on the basis of whether there is an identified asset controlled by the customer.

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 and impaired, if any, following the requirements of HKAS 36. The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases is retained. HKFRS 16 replaces the previous leases HKAS 17 Leases, and related Interpretations. HKFRS 16 is effective from 1 January 2019. An entity is allowed to apply HKFRS 16 before that date but only if it also applies HKFRS 15 Revenue from Contracts with Customers.

The management of the Group expects that certain lease commitments will be required to be recognized in the Financial Information as right-of-use assets and lease liabilities.

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

An entity shall disclose (to the extent necessary) the changes in liabilities arising from financing activities including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

The new disclosure requirement is to provide reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities and changes in liabilities arising from financing activities will be disclosed separately from changes in other assets and liabilities. The amendments to HKAS 7 are effective for annual periods beginning on or after 1 January 2017.

The management of the Group considers that the application of the amendments to HKAS 7 in the future may not have a material impact on the Group's results and financial position.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimating fair value of properties

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

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

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

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

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

The Group's properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Survey Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties. The carrying amount of the investment properties and land and buildings as at 30 June 2017 are HK$5,644,854,000 and HK$27,324,000 respectively (2016: HK$5,549,315,000 and HK$28,000,000 respectively).

Allowance for properties under development for sale

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development for sale as at 30 June 2017 is HK$1,422,132,000 (2016: HK$1,955,440,000). No impairment loss on properties under development for sale have been written down to net realisable value during the year ended 30 June 2017 (2016: Nil).

Allowance for completed properties for sale

Management exercises its judgment in making allowance for completed properties for sale with reference to the existing market environment and the estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling expenses. A specific allowance for completed properties for sale is made if the estimate market value of the property is lower than its carrying amount. The specific allowance for completed properties for sale is made based on the estimation of net realisable value on the completed properties. If the actual net realisable values of the completed properties for sale less than expected, as a result of change in market condition, write-down to net realisable value may result. The carrying amount of the completed properties as at 30 June 2017 is HK$671,441,000 (2016: HK$373,815,000). No completed properties for sale have been written down to net realisable value during the year ended 30 June 2017 (2016: Nil).

Revenue recognition

Revenue arising from the sale of properties held for sale is recognised when the Group has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyers upon release of the respective property to the buyers.

The directors of the Group are of the opinion that such settlements provide sufficient evidence of the buyers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, defaults of mortgage facilities by the buyers which resulted in the bank guarantees being called upon were rare. Further, the credit risk of the Group under the circumstance that a buyer defaults on the payment of its mortgage during the term of the guarantee is very low. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the buyers upon the delivery of the properties to them.

Accounting for income taxes

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

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

For the properties in the PRC, the tax expenses on changes in fair value of investment properties and properties sales are recognised taking into account the land appreciation tax and enterprise income tax payable upon sales of those properties in the PRC. The land appreciation tax is determined based on management's best estimates according to the requirements set forth in the relevant PRC tax laws and regulations and provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures. As at 30 June 2017, deferred tax liabilities in relation to the fair value changes of investment properties of HK$758,646,000 (2016: HK$803,867,000) have been recognised in the Group's consolidated statement of financial position as at 30 June 2017.

In addition, deferred tax assets of HK$38,818,000 (2016: HK$37,267,000) in relation to tax losses have been recognised in the Group's consolidated statement of financial position as at 30 June 2017. The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. REVENUE

The Group's principal activities are disclosed in Note 1 to these consolidated financial statements.

Revenue from the Group's principal activities recognised during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Properties sales	**1,638,797**	–
Gross rental income	**42,166**	43,625
Estate management income	**1,823**	2,181
	1,682,786	45,806

5. SEGMENT INFORMATION

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

2017

	Properties sales *HK$'000*	Properties rental *HK$'000*	Estate management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
From external customers	**1,638,797**	**42,166**	**1,823**	**–**	**1,682,786**
From other segments	**–**	**840**	**17,820**	**–**	**18,660**
Reportable segment revenue	**1,638,797**	**43,006**	**19,643**	**–**	**1,701,446**
Reportable segment profit	**1,225,470**	**96,717**	**565**	**7,330**	**1,330,082**
Other information:					
Depreciation of property, plant and equipment	**60**	**1,291**	**502**	**–**	**1,853**
Interest income	**7,535**	**5,467**	**2**	**–**	**13,004**
Interest expense	**–**	**22,228**	**–**	**–**	**22,228**
Income tax expense/(credit)	**783,494**	**(35,549)**	**–**	**–**	**747,945**
Increase in fair value of investment properties	**–**	**74,213**	**–**	**–**	**74,213**
Increase in fair value of financial assets and liabilities at fair value through profit or loss	**–**	**–**	**–**	**4,253**	**4,253**
Reportable segment assets	**2,895,267**	**4,977,441**	**3,319**	**15,143**	**7,891,170**
Reportable segment liabilities	**323,722**	**284,098**	**448**	**–**	**608,268**
Additions to non-current segment assets (other than financial instruments) during the year	**37,338**	**31,202**	**104**	**–**	**68,644**

2016

	Properties sales *HK$'000*	Properties rental *HK$'000*	Estate management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
From external customers	–	43,625	2,181	–	45,806
From other segments	–	2,395	18,775	–	21,170
Reportable segment revenue	–	46,020	20,956	–	66,976
Reportable segment (loss)/profit	(2,901)	1,238,167	968	(3,665)	1,232,569
Other information:					
Depreciation of property, plant and equipment	70	1,288	369	–	1,727
Interest income	412	1,210	–	–	1,622
Interest expense	–	40,281	–	–	40,281
Income tax expense	11,713	803,061	–	–	814,774
Increase in fair value of investment properties	–	1,213,705	–	–	1,213,705
Gain on disposal of assets of disposal of disposal group	–	7,669	–	–	7,669
Decrease in fair value of financial assets and liabilities at fair value through profit or loss	–	–	–	5,590	5,590
Reportable segment assets	3,248,879	4,804,706	3,616	19,970	8,077,171
Reportable segment liabilities	1,557,839	287,281	241	–	1,845,361
Additions to non-current segment assets (other than financial instruments) during the year	24	54,155	1,191	–	55,370

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

	2017	2016
	HK$'000	*HK$'000*
Reportable segment revenue	**1,701,446**	66,976
Elimination of inter segment revenue	**(18,660)**	(21,170)
Revenue of the Group	**1,682,786**	45,806
Reportable segment profit	**1,330,082**	1,232,569
Unallocated corporate income	**14,037**	10,259
Unallocated corporate expenses	**(123,858)**	(56,542)
Finance costs	**(22,963)**	(29,071)
Profit before income tax of the Group	**1,197,298**	1,157,215

	2017	2016
	HK$'000	*HK$'000*
Reportable segment assets	**7,891,170**	8,077,171
Tax recoverable	**68**	415
Other corporate assets	**971,231**	1,062,446
Deferred tax assets	**11,732**	10,610
Total assets of the Group	**8,874,201**	9,150,642
Reportable segment liabilities	**608,268**	1,845,361
Tax payable	**420,818**	863
Other corporate liabilities	**1,320,765**	1,199,477
Deferred tax liabilities	**758,646**	803,931
Total liabilities of the Group	**3,108,497**	3,849,632

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

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)	**43,089**	44,549	**4,154,872**	4,090,876
The People's Republic of China ("PRC")	**1,638,847**	–	**178**	204
Macau	**–**	–	**1,197,829**	1,148,168
Malaysia	**850**	1,257	**324,124**	343,851
	1,682,786	45,806	**5,677,003**	5,583,099

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

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

6. OTHER INCOME, NET

	2017	2016
	HK$'000	*HK$'000*
Dividend income from listed equity investments	**559**	746
Gain on disposal of net assets of disposal group classified as held for sale	**–**	7,669
Gain on disposal of financial assets at fair value through profit or loss	**2,208**	1,179
Gain on disposal of held-to-maturity investments	**311**	–
Realised gain on derivative financial investments	**–**	308
Interest received	**13,004**	1,622
Sundry income	**1,033**	269
	17,115	11,793

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and overdrafts	**20,285**	55,206
Advances from a director	**11,032**	8,335
Other payable *(Note 13)*	**1,734**	2,496
Bond	**600**	760
Other incidental borrowings costs	**3,358**	7,711
Total finance costs	**37,009**	74,508
Less: Interest capitalised into		
– Properties under development for sale *(Note)*	**(14,046)**	(42,957)
– Investment properties *(Note)*	**–**	(2,480)
	22,963	29,071

Note: The borrowing costs have been capitalised to properties held for sale and investment properties at a rate from 1.084% to 1.939% (2016: from 1.069% to 7.995%) per annum and of nil (2016: 8%) per annum respectively.

8. PROFIT BEFORE INCOME TAX

Profit before income is arrived at after charging the following:

	2017	2016
	HK$'000	*HK$'000*
Operating lease charges - Land and buildings	**4,525**	1,953
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**22,336**	18,707
Contribution to defined contribution plans	**873**	608
	23,209	19,315
Auditors' remuneration		
Current year	**722**	715
Prior year under-provision	**10**	8
	732	723
Depreciation	**1,853**	1,727
Direct outgoings in respect of investment properties that generate rental income	**12,790**	10,986
Direct outgoings in respect of investment properties that did not generate rental income	**1,128**	3,813
Net exchange loss	**5,124**	197

9. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group had no assessable profit in Hong Kong for the year ended 30 June 2017.

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

	2017	2016
	HK$'000	*HK$'000*
Current tax		
– Overseas		
PRC enterprise income tax	**163,285**	78
PRC land appreciation tax	**616,907**	–
	780,192	78
Deferred tax		
Current year	**(32,247)**	814,774
Total income tax expense	**747,945**	814,852

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

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax	**1,197,298**	1,157,215
Tax at Hong Kong profits tax rate of 16.5% (2016: 16.5%)	**197,554**	190,940
Tax effect of non-deductible expenses	**40,268**	26,215
Tax effect of non-taxable revenue	**(15,766)**	(220,289)
Tax effect of differences in overseas tax rates	**(93,992)**	795,165
Tax effect of unused tax losses not recognised	**3,691**	24,718
Tax effect of utilisation of unrecognised tax losses	**(717)**	(1,897)
PRC land appreciation tax	**616,907**	–
Income tax expense	**747,945**	814,852

10. DIVIDENDS

(a) Dividends attributable to the year

	2017	2016
	HK$'000	*HK$'000*
Interim dividend of HK 6.5 cents (2016: HK 5.5 cents) per ordinary share	**34,044**	27,235
Proposed final dividend of HK 13.5 cents (2016: HK 11 cents) per ordinary share *(Note)*	**71,726**	55,146
	105,770	82,381

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

	2017	2016
	HK$'000	*HK$'000*
Dividends:		
Cash	**2,794**	1,140
Share alternative	**31,250**	26,095
	34,044	27,235

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

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

	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, of HK 11 cents (2016: HK 8 cents) per ordinary share	**56,392**	38,998

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

	2017	2016
	HK$'000	*HK$'000*
Dividends:		
Cash	**8,271**	1,189
Share alternative	**48,121**	37,809
	56,392	38,998

11. EARNINGS PER SHARE

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

Earnings

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	**440,660**	315,348

Number of shares

	2017	2016
Weighted average number of ordinary shares for the purposes of basic earnings per share	**514,948,160**	489,526,462
Effect of dilutive potential ordinary shares:		
Warrants	**1,472,981**	1,153,293
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**516,421,141**	490,679,755

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
From third parties	**1,421**	1,164
Other receivables		
Prepaid expenses and utilities deposits	**16,173**	15,830
Prepaid other taxes	**2,329**	101,346
Prepaid commission expenses	**–**	21,525
Other receivables	**10,298**	6,861
	28,800	145,562
	30,221	146,726

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

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

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**532**	703
31-60 days	**168**	358
61-90 days	**238**	11
Over 90 days	**483**	92
	1,421	1,164

At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis. No impairment has been recognised on receivables through the provision account for the two years ended 30 June 2017 and 2016.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$1,421,000 (2016: HK$1,164,000) which are past due as at the reporting date for which the Group has not been provided. These receivables are related to a number of diversified debtors that has a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. Except for deposits received from tenants, the Group does not hold any other collateral over these balances.

No amounts in relation to other receivables were past due at the reporting date (2016: Nil).

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Current liabilities		
Trade payables		
To third parties	**–**	4
Other payables		
Sales deposits received	**218,732**	1,553,934
Tenant deposits	**7,378**	7,293
Other payable and accruals	**137,378**	36,680
	363,488	1,597,907
	363,488	1,597,911
Non-current liabilities		
Other payables		
Other payable	**3,970**	10,681

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

In August 2017, based on the PRC court order, approximately HK$102,843,000 has been provided to compensate the buyers and included in the other payable as at 30 June 2017.

Based on the invoice dates, the ageing analysis of the trade payables as of the reporting date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**–**	4

Other payables include additional stamp duty of HK$7,263,000 and HK$3,970,000 (2016: HK$6,971,000 and HK$10,681,000) in current and non-current portion respectively. The effective interest rate of the stamp duty payable is 12% per annum (2016: 12%) and interest charge of HK$1,734,000 (2016: HK$2,496,000) have been recognised (Note 7).

14. AMOUNTS DUE TO A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the year ended 30 June 2017 (the "Year") amounted to HK$1,682,786,000 (Year ended 30 June 2016: HK$45,806,000), a 3,573.7% increase as compared with last year. It was mainly due to 360 units sold in Shenzhen during year which accounted for HK$1,638,797,000 revenue for the Year.

For property leasing, the Year recorded a decrease of 3.3% in rental income as compared with the corresponding year in 2017, amounting HK$42,166,000 (2016: HK$43,625,000).

Gross profit for the Year amounted to HK$1,250,392,000, a 4,810.6% increase as compared with last year.

Other income recorded an increase of 45.1% to HK$17,115,000 when compared with last year. The other income for the Year were mainly attributed to gain on disposal of financial assets at fair value through profit or loss and interest income. Increase in fair value of financial assets at fair value through profit or loss amounted to HK$4,253,000 (2016: decrease in fair value HK$5,590,000). Increase in fair value of investment properties amounted to HK$74,213,000 (2016: HK$1,213,705,000). Administrative expenses increased by 112.8% to HK$125,712,000 as compared with last year. Finance costs decreased by 21.0% to HK$22,963,000 as compared with last year. The decrease was mainly due to decrease in interest rate during year. Income tax expenses decreased to HK$747,945,000 (2016: HK$814,852,000) which was mainly due to the PRC tax related to properties sold during the Year in Shenzhen.

Profit attributable to owners of the Company for the Year was HK$440,660,000 (2016: HK$315,348,000). Basic earnings per share was HK$0.86 (2016: HK$0.64) and fully diluted earnings per share was HK$0.85 (2016: HK$0.64).

A final dividend of HK13.5 cents (2016: HK11 cents) was proposed together with the interim dividend of HK6.5 cents (2016: HK5.5 cents) a total of HK20 cents (2016: HK16.5 cents) for the year ended 30 June 2017. Scrip dividend alternative was offered to shareholders in respect of proposed final dividend.

Total Equity Attributable To The Owners Of The Company

As at 30 June 2017, the Group's total equity attributable to the owners of the Company amounted to approximately HK$5,608,464,000 (30 June 2016: HK$5,152,463,000), an increase of HK$456,001,000 or 8.9% when compared with 30 June 2016. With the total number of ordinary shares in issue of 531,254,617 as at 30 June 2017 (2016: 501,276,582 shares), the total equity attributable to the owners of the Company per share was HK$10.56, representing an increase of 2.7% compared to HK$10.28 as at 30 June 2016. The increase in total equity attributable to owners of the Company per share was mainly attributable to increase in fair value of investment properties but offset by increase in number of ordinary shares during the year.

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

Investment In Financial Assets At Fair Value Through Profit Or Loss

As at 30 June 2017, the fair value of investment in listed securities amounted to HK$15,143,000 was classified as the financial assets at fair value through profit or loss. During the Year, the portfolio was decreased by a net disposal of HK$9,080,000 and gain on fair value of HK$4,253,000. The investment in listed securities as at 30 June 2017 represented 0.2% (2016: 0.3%) of the total assets, which formed part of the Group's cash management activities.

Equity

The number of issued ordinary shares as at 30 June 2017 and 30 June 2016 were 531,254,617 and 501,276,582 respectively.

Debts And Gearing

As at 30 June 2017, the Group's bank and other borrowings amounted to HK$1,320,117,000 (2016: HK$1,194,733,000). Cash and bank balances amounted to HK$913,706,000 (2016: HK$1,032,612,000) and net borrowing amounted to HK$406,411,000 (2016: HK$162,121,000).

Total debts to equity ratio was 23.5% (30 June 2016: 23.2%) and net debt to equity ratio was 7.2% (30 June 2016: 3.1%).

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 year and decrease in cash and bank balances resulted from increase in investment in other financial assets during the year.

As at 30 June 2017, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK$1,320,117,000, 50%, 49%, 0% and 1% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively by reference to the repayment schedule of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to HIBOR.

Pledge Of Assets

As at 30 June 2017, the Group's investment properties, properties for sale, land and building and financial assets at fair value through profit or loss with their respective carrying value of HK$2,714,974,000 (2016: HK$2,924,121,000), HK$424,797,000 (2016: HK$403,834,000), HK$27,324,000 (2016: HK$28,000,000) and HK$8,279,000 (2016: HK$7,246,000) were pledged to secure general banking facilities of the Group.

Finance Costs

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Year was HK$14,046,000 as compared to HK$45,437,000 for the last year. Interest expenses for the Year amounted to HK$22,963,000, representing 21.0% decrease over the interest expenses of HK$29,071,000 recorded for the same period last year. The decrease in interest expense was mainly due to decrease in bank loans interest and other borrowing cost during the year. The average interest rate over the year under review was 2.53% (2016: 3.71%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property Valuation

A property valuation has been carried out by Messrs. Roma Appraisals Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 30 June 2017 and that valuation was used in preparing 2017 financial statements. The Group's investment properties and investment properties under development were valued at HK4,106,840,000 and HK$1,538,014,000 respectively making the total HK$5,644,854,000 (2016: investment properties and investment properties under development were valued at HK$3,770,531,000 and HK$1,778,784,000 making the total HK$5,549,315,000). The increase in fair value of approximately HK$74,213,000 was credited to the income statement for the Year. The Group land and building held for a director's quarter carried at fair value were valued at HK$27,324,000 (2016: HK$28,000,000) respectively. Decrease in fair value of HK$676,000 for the Year were recorded in property revaluation reserves. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30 June 2017, the Group employed a total of 50 (as at 30 June 2016: 48) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

FINANCIAL KEY PERFORMANCE INDICATOR

Profit Attributable To Owners Of The Company and Earnings Per Share

The Company uses the profit attributable to owners of the company and earnings per share as the Group's as the financial key performance indicator. The Company's aim to increase the Group's profit attributable to owners of the company and earnings per share. We compare the profit against the previous period as a measure of the performance. Detail refer to Financial Highlight section.

INTERNAL CONTROL

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

ENVIRONMENTAL PROTECTION POLICIES AND COMPLIANCE

Our environmental protection policy is to meet all the environmental protection legislations which relate to our operation.

A review on the performance on our environmental policy has been carried out.

KEY RELATIONSHIPS

Relationships with vendors

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

Relationships with customers

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

Relationships with employees

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

BUSINESS REVIEW

Hong Kong

The sales of residential properties started to have strong improvement in 2017. Developers are willing to offer more privileges to potential purchasers thus boost the market sentiment. On the leasing front, the market continued to see robust activity during the peak season before the start of the new school year. Some record-breaking transactions were recorded.

1. **One Kowloon Peak**

   The sale for 49 units in Phase 1 commenced in February 2015 and up to the reporting date, 14 units were sold with a total consideration of HK$187.3 million. In addition, 20 units in Phase 1 were leased and generating rental income. The construction of Phase 2 will be completed in the next few months.

2. **Villa Cecil Phase II**

   Two more units were selected to sub-divide into four smaller units in order to meet the current leasing market and completed. Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in second half of 2017.

3. **Villa Cecil Phase III**

   Three units were selected to sub-divide into six smaller units. The construction works will be commenced as soon as the present tenants have move out the units. Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in second half of 2017.

4. **Cheuk Nang Lookout**

   The renovation work is in progress.

5. **New Villa Cecil**

   Superstructure work for Phase 2 is in progress.

China

The Government's limited purchase order introduced in 2016 is expected to be brought forward to the year of 2018. However, the sentiment for property market continues to be positive for first tier cities, supported by the confidence of many home buyers that there is still room for upward growth. The number of new supply of residential units is stable. The new supply of residential land for development was increased in 2017.

1. **Cheuk Nang Garden, Shenzhen**

   All relevant approval and certificate including the 規劃及竣工驗收合格證 were issued. The sales of 360 units was realized which accounted for HK$1.6 billion revenue for the year. The sales and leases of the remaining units and commercial areas are in progress.

2. **Cheuk Nang • Riverside, Hangzhou**

   The construction of the project was completed. The inspection for completion of the entire project is in progress by the relevant authorities for issuance of the certificate (規劃及竣工驗收合格證).

Macau

The building plan (ante projecto) has been approved. Application for a new land lease contract and negotiation for the premium payable is in progress. Preparation for detailed construction and structural drawing (projecto de obra) has been commenced.

Malaysia

Unsold units of Phase I, "Parkview", has been operated as service apartment with satisfactory income. For Phase II named "Cecil Central Residence", the construction of the main podium from Ground Floor to the Fifth Floor was completed. The building plans to reduce the size of the units to suit the current situation has been submitted for approval.

POLICY AND OUTLOOK

The US Federal Reserve decided to keep the interest rate unchanged in July, and another interest-rate hike is generally expected to remain steady during the remainder of the year. Hong Kong's supply of new private residence will climb to a new peak over the next three to four years, the property price remains optimistic in view of the strong demand.

Besides residential, there is shortage of supply in Hong Kong office market, hence the sale price and rental is improved due to many Chinese and connected companies coming to Hong Kong to set up their establishment.

Our Group's investment outside Hong Kong will continue to perform well.

FINAL DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK13.5 cents (2016: HK11 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 30 November 2017, which together with the interim dividend of HK6.5 cents (2016: HK5.5 cents) per share, makes a total distribution of HK20 cents (2016: HK16.5 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 27 December 2017.

CLOSURE OF REGISTER

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

(i) from Thursday, 16 November 2017 to Wednesday, 22 November 2017 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify to attend and vote at the 2017 Annual General Meeting, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 15 November 2017.

(ii) from Tuesday, 28 November 2017 to Thursday, 30 November 2017 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the final dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 27 November 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 30 June 2017. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

(i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code; and

(ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

BOARD AUDIT COMMITTEE

The results for the year ended 30 June 2017 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Grant Thornton Hong Kong Limited and they have issued an unqualified opinion.

INFORMATION REQUIRED UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 30 June 2017 and 2016 included in the Announcement is derived from, but does not constitute the Company's statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 30 June 2016 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2017 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company's auditor has reported on the financial statements of the Group for both the years ended 30 June 2017 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

By order of the Board
CONNIE S.F. HO
Company Secretary

Hong Kong, 26 September 2017

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