

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

CHAIRMAN STATEMENT

RESULTS

I herewith announce that the unaudited consolidated loss after taxation for the six months ended 31 December 2020 of our Group is HK\$62,176,000 (2019: profit HK\$34,122,000) as set out in the unaudited consolidated income statement which has been reviewed by the Company's audit committee.

The Directors resolved the payment of an interim dividend of HK2.0 cents per share (2019: HK7.5 cents).

REVIEW OF OPERATIONS

Hong Kong Properties

Hong Kong economy were affected by the outbreak of coronavirus. Office, shop, hotel etc. sectors were more seriously damped. The tendency of work at home made grade A office rental reducing by over 20%.

The progress of our projects is as follows:

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

Phase 1 has been obtained Occupation Permit which consisted of 49 residential units, out of which 13 units are sold and 21 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. The whole development provides 70 no. of car parks.

The Occupation Permit of Phase 2 was obtained on 28 July 2020. The application for Certificate of Compliance was submitted in August 2020. The District Lands Office is currently vetting the submitted documents. It is anticipated that the Certificate of Compliance may be obtained in the second half of this year barring unforeseen circumstances such as the coronavirus pandemic can be under controlled.

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

The occupancy rate maintained at 85%.

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

The occupancy rate of the two blocks has reached 95% which contributed good rental income to the Group.

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

The renovation of the two villas (Villa Begonia and Villa Crocus) to enhance the quality is completed and due to the present situation, are still under marketing.

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

All the villas in Phase 1 are leased out. The construction work of Phase 2 and the overall site improvement work are in progress.

China Properties

Since the second half of last year, the economy in China has gradually recovered from coronavirus pandemic. It is anticipating the tendency will continue and possibly improve in long run. China's real estate market has grown positively in the past years and is a key component in the economy. Currently, China's economy has slowed down partly due to the escalating trade war with the US which may be counteracting by internal spending and opening the market and improve trade with other nations.

Cheuk Nang Garden

Longhwa, Shenzhen

Upto the date of this report, a total of 769 units have been sold and the sales transactions amount achieved is RMB3,729 million.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

規劃驗收 has been approved and issued by the Government. Submission of 建築驗收 and other certificates required by the Authority have been applied by us for final approval. Sales marketing will commence afterwards.

Macau Properties

Although the coronavirus in Macau is well under control, the economy is very much deteriorated by the pandemic situation in the surrounding cities which deterred the tourists from visiting Macau while gambling business has been seriously affected.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

Although building plans (ante projecto) has been approved and numerous contacts and conferences with the new government, we are still waiting for the permission for our premium payment application for change of land use.

Malaysia Properties

For 2020 as a whole, under the midst of the coronavirus, the economy was contracted due to the restrictions on mobility, especially on inter-district and inter-state travel and all economic sectors have recorded negative growth.

Phase I “Parkview”

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

The first stage renovation of the vacant serviced apartments is completed. The occupancy and the income from the business was very much reduced.

Phases II “Cecil Central Residence”

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

The amended Development Order has been approved. New application for approval of the amended building plans was submitted. Due to the poor market situation, the construction plan will be delayed.

INVESTMENT IN BONDS AND HONG KONG STOCK MARKET

The investment in Bond market as at 31 December 2020 was HK\$178,737,000. During the period, a total of HK\$11,544,000 was sold and no Bond was purchased.

The market price of our investment in the Hong Kong stocks as at 31 December 2020 was HK\$31,758,000. During the period, there is no purchase nor sold of Hong Kong Stock.

OUTLOOK

The outbreak of coronavirus has been lasted for over one year. The unemployment rate in Hong Kong has reached 17 years' high up to 7%. The Hong Kong government has put their effort to fight against the virus by trying to cut the transmission chain. Coronavirus vaccines has arrived Hong Kong and it is crucial to the resumption of the normal ways of life.

Although we are now facing the most difficult time, we still looking forward to the economy may resume gradually in the second half of this year, following the coronavirus may be better controlled.

DIRECTORS AND STAFF

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

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

By order of the Board
CECIL CHAO SZE TSUNG
Executive Chairman

Hong Kong, 25 February 2021

RESULTS

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

Condensed Consolidated Income Statement

For the six months ended 31 December 2020

		Six months ended 31 December	
	<i>Notes</i>	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	878,860	304,226
Direct costs		<u>(139,450)</u>	<u>(114,725)</u>
Gross profit		739,410	189,501
Other income, net	4	39,896	50,424
Change in fair value of investment properties		(147,554)	(23,648)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		590	(154)
Administrative expenses		(37,309)	(50,735)
Finance costs	5a	<u>(13,973)</u>	<u>(17,085)</u>
Profit before income tax	5	581,060	148,303
Income tax expense	6	<u>(643,236)</u>	<u>(114,181)</u>
(Loss)/Profit for the period		<u>(62,176)</u>	<u>34,122</u>
(Loss)/Profit for the period attributable to:			
Owners of the Company		(62,110)	33,565
Non-controlling interests		<u>(66)</u>	<u>557</u>
		<u>(62,176)</u>	<u>34,122</u>
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the period	8		
Basic		<u>HK\$(0.1)</u>	<u>HK\$0.06</u>
Diluted		<u>HK\$(0.1)</u>	<u>HK\$0.06</u>

Condensed Consolidated Statement of Comprehensive Income

As at 31 December 2020

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(62,176)	34,122
Other comprehensive (expense)/income for the period, net of tax		
Item that will be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”) (recycling)	(423)	(412)
Exchange gain/(loss) on translation of financial statements of foreign operations	276,456	(71,852)
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	528	728
Income tax relating to components of other comprehensive income	(87)	(120)
Other comprehensive income/(expense) for the period, net of tax	276,474	(71,656)
Total comprehensive income/(expense) for the period	214,298	(37,534)
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	214,364	(38,091)
Non-controlling interests	(66)	557
	214,298	(37,534)

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

		At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	6,792,744	7,084,875
Property, plant and equipment		40,865	42,365
Other non-current asset		950	950
Other financial assets	10	170,238	184,232
Deferred tax assets		16,290	16,290
		<u>7,021,087</u>	<u>7,328,712</u>
Current assets			
Properties under development for sale	9	1,557,792	1,496,021
Completed properties for sale		412,449	511,224
Other financial assets	10	8,499	6,472
Financial assets at fair value through profit or loss	11	1,153,193	458,046
Trade and other receivables	12	295,909	30,333
Bank balances and cash	13	842,934	1,236,667
		<u>4,270,776</u>	<u>3,738,763</u>
Current liabilities			
Other payables		141,240	151,611
Contract liabilities	16	185,349	436,470
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		1,513	1,547
Interest-bearing borrowings		950,920	1,261,920
Lease liabilities	15	2,323	2,627
Tax payable		1,783,490	989,395
		<u>3,304,825</u>	<u>3,083,560</u>
Net current assets		<u>965,951</u>	<u>655,203</u>
Total assets less current liabilities		<u>7,987,038</u>	<u>7,983,915</u>

		At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings		10,746	10,351
Advance from a director		100,632	170,182
Lease liabilities	15	–	1,004
Deferred tax liabilities		933,993	1,070,462
		<u>1,045,371</u>	<u>1,251,999</u>
Net assets		<u>6,941,667</u>	<u>6,731,916</u>
EQUITY			
Share capital	14	2,468,985	2,441,551
Reserves		4,296,455	4,114,072
		<u>6,765,440</u>	<u>6,555,623</u>
Equity attributable to the owners of the Company		<u>176,227</u>	<u>176,293</u>
Non-controlling interests			
		<u>6,941,667</u>	<u>6,731,916</u>
Total equity		<u>6,941,667</u>	<u>6,731,916</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	204,016	180,237
Investing activities		
Additions of investment properties	(29,388)	(8,719)
Purchase of structured deposits	(1,358,977)	(221,684)
Proceeds from redemption of structured deposits	700,749	–
Purchase of financial assets at FVTOCI	–	(31,595)
Proceeds from disposal of investment properties	355,925	175,097
(Placement)/release of fixed deposits with original maturity of over three months placement	(13,738)	193,368
Other investing activities	18,880	14,865
Net cash (used in)/generated from investing activities	(326,549)	121,332
Financing activities		
(Repayment to)/advances from a director	(69,550)	5,500
New bank and other loans raised	–	655,791
Repayment of bank loans	(310,605)	(590,979)
Other financing activities	(6,284)	(13,648)
Net cash (used in)/generated from financing activities	(386,439)	56,664
Net (decrease)/increase in cash and cash equivalents	(508,972)	358,233
Cash and cash equivalents at 1 July	1,232,907	398,298
Effect of foreign exchange rate changes, on cash held	101,501	(24,145)
Cash and cash equivalents at 31 December, represented by cash at bank	825,436	732,386

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

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

Equity attributable to the owners of the Company

	Share capital HK\$'000 (Unaudited)	Exchange reserve* HK\$'000 (Unaudited)	Statutory reserve* HK\$'000 (Unaudited)	Property revaluation reserve* HK\$'000 (Unaudited)	Financial assets at FVTOCI reserve (recycling)* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
Balance at 1 July 2020	2,441,551	(479,310)	-	28,768	(17,178)	4,581,792	6,555,623	176,293	6,731,916
Loss for the period	-	-	-	-	-	(62,110)	(62,110)	(66)	(62,176)
Other comprehensive income/(expenses) for the period									
Exchange gain on translation of financial statements of foreign operations	-	276,456	-	-	-	-	276,456	-	276,456
Change in fair value of financial assets at FVTOCI	-	-	-	-	(423)	-	(423)	-	(423)
Change in fair value of land and buildings held for own use	-	-	-	528	-	-	528	-	528
Income tax relating to components of other comprehensive income	-	-	-	(87)	-	-	(87)	-	(87)
Total comprehensive (expense)/income for the period	-	276,456	-	441	(423)	(62,110)	214,364	(66)	214,298
2020 final dividend approved and paid (Note 7)	-	-	-	-	-	(31,981)	(31,981)	-	(31,981)
Issue of share capital:									
Pursuant to scrip dividend scheme	27,434	-	-	-	-	-	27,434	-	27,434
Transfer to statutory reserve	-	-	281,562	-	-	(281,562)	-	-	-
Balance at 31 December 2020	2,468,985	(202,854)	281,562	29,209	(17,601)	4,206,139	6,765,440	176,227	6,941,667

* These reserve accounts comprise the Group's reserves of HK\$4,296,455,000 (As at 30 June 2020 (Audited): HK\$4,114,072,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 25 February 2021, and have been reviewed by the Company’s Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2020, except for the adoption of new or amended HKFRSs effective on or after 1 July 2020 as disclosed in Note 2 and the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2020.

The financial information relating to the financial year ended 30 June 2020 that is included in the interim financial statements for the six months ended 31 December 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

2. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning on or after 1 July 2020

The condensed consolidated interim financial statements for the six months ended 31 December 2020 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2020, except for the adoption of the following new and amended HKFRs effective as of 1 July 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but not yet effective.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

Except for those mentioned below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

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

The amendments also:

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

The directors of the Company anticipate that the application of these amendments has had no impact on the Group's condensed consolidated interim financial statements.

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

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

3. SEGMENT INFORMATION

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

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

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

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

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

3. SEGMENT INFORMATION *(Continued)*

Information regarding the Group's reportable segments as provided to the chief operating decision maker is set out below:

For the six months ended 31 December 2020 (Unaudited)

	Property sales <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	836,598	31,921	10,341	–	878,860
Inter-segment revenue	–	–	10,700	–	10,700
Reportable segment revenue	836,598	31,921	21,041	–	889,560
Reportable segment profit/(loss)	647,008	(40,365)	3,816	7,699	618,158
Other information:					
Interest income	1,972	61	–	7,487	9,520
Interest expense	6,297	7,429	–	247	13,973
Income tax expense	642,588	648	–	–	643,236
Depreciation	18	1,035	1,291	–	2,344
Decrease in fair value of investment properties	–	(147,554)	–	–	(147,554)
Decrease in fair value of financial assets at fair value through profit or loss (“FVTPL”)	–	–	–	590	590
As at 31 December 2020 (Unaudited)					
Reportable segment assets	3,038,834	6,018,322	6,205	1,153,194	10,216,555
Reportable segment liabilities	298,593	263,513	3,260	5,048	570,414

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2019 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	267,773	32,151	4,302	–	304,226
Inter-segment revenue	–	–	10,367	–	10,367
Reportable segment revenue	267,773	32,151	14,669	–	314,593
Reportable segment profit	157,055	55,855	1,965	–	214,875
Other information:					
Interest income	4,806	7,695	–	351	12,852
Interest expense	1,797	12,409	–	–	14,206
Income tax expense	224,080	(109,899)	–	–	114,181
Depreciation	25	954	1,381	–	2,360
Decrease in fair value of investment properties	–	(23,648)	–	–	(23,648)
Decrease in fair value of financial assets at fair value through profit or loss (“FVTPL”)	–	–	–	(154)	(154)

As at 30 June 2020 (Audited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	2,810,517	6,310,669	7,232	458,046	9,586,464
Reportable segment liabilities	559,591	262,835	5,395	5,428	833,249

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property sales	836,598	267,773
Property rental	31,921	32,151
Estate management	10,341	4,302
	<u>878,860</u>	<u>304,226</u>

Disaggregation of revenue from contracts with customers

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

	Six months ended 31 December 2020		
	Property sales	Property rental	Estate management
	HK\$'000	HK\$'000	HK\$'000
Segments	(Unaudited)	(Unaudited)	(Unaudited)
Geographical markets			
PRC	836,598	5,887	4,913
Hong Kong	–	25,700	5,428
Malaysia	–	334	–
	<u>836,598</u>	<u>31,921</u>	<u>10,341</u>
Timing of revenue recognitions under HKFRS 15 from external customers			
At a point in time	836,598	–	10,341
Rental income not in the scope of HKFRS 15	–	31,921	–
	<u>836,598</u>	<u>31,921</u>	<u>10,341</u>

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2019 (Unaudited)

Segments	Six months ended 31 December 2019		
	Property sales <i>HK\$'000</i> (Unaudited)	Property rental <i>HK\$'000</i> (Unaudited)	Estate management <i>HK\$'000</i> (Unaudited)
Geographical markets			
PRC	267,773	7,509	3,450
Hong Kong	–	23,931	852
Malaysia	–	711	–
	<u>267,773</u>	<u>32,151</u>	<u>4,302</u>
Timing of revenue recognitions under HKFRS 15 from external customers			
At a point in time	267,773	–	4,302
Rental income not in the scope of HKFRS 15	<u>–</u>	<u>32,151</u>	<u>–</u>
	<u>267,773</u>	<u>32,151</u>	<u>4,302</u>

The reportable segment profit can be reconciled to the Group's profit before income tax as presented in this interim financial report as follows:

	Six months ended 31 December	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Reportable segment profit	618,158	214,875
Unallocated corporate income	32,784	52,629
Unallocated corporate expenses	(55,909)	(102,116)
Finance costs	<u>(13,973)</u>	<u>(17,085)</u>
Profit before income tax of the Group	<u>581,060</u>	<u>148,303</u>

4. OTHER INCOME, NET

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend income from listed equity investments	1,023	512
Interest received	2,033	5,173
Interest received from other financial assets	7,487	7,679
Investment income	6,086	–
Gain on disposal of financial assets at FVTPL	–	108
Gain on disposal of investment properties, net of tax	20,946	36,679
Government subsidies	452	–
Sundry income	1,869	268
Exchange gain, net	–	5
	<u>39,896</u>	<u>50,424</u>

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest charges on:		
Bank loans	11,760	19,086
Advances from a director	3,899	4,964
Other incidental borrowing costs	2,835	3,468
	<u>18,494</u>	<u>27,518</u>
Total finance costs	18,494	27,518
Less: Interest capitalised into investment properties and properties under development for sale	<u>(4,521)</u>	<u>(10,433)</u>
	<u>13,973</u>	<u>17,085</u>
(b) Other items		
Depreciation	2,344	2,360
Gain on disposal of financial assets at FVTPL	–	(108)
Gain on disposal of investment properties	(20,946)	(36,679)
Short term lease expenses	149	7
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	13,523	12,317
Contribution to defined contribution plans	311	125
	<u>13,523</u>	<u>12,317</u>

6. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the condensed consolidated interim financial statements as the Group has no assessable profit in Hong Kong for the six months ended 31 December 2020 (2019: Nil).

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

The taxation charge is made up as follows:

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Overseas		
PRC enterprise income tax	285,049	60,948
PRC land appreciation tax	400,041	163,132
	685,090	224,080
Deferred taxation	(41,854)	(109,899)
Total income tax expense	643,236	114,181

7. DIVIDENDS

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK5 cents (2019: HK15 cents) per ordinary share	31,981	89,345
Proposed interim dividend of HK2 cents (2019: HK7.5 cents) per ordinary share	13,054	46,565
	<u>45,035</u>	<u>135,910</u>

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

During the six months ended 31 December 2020, scrip dividend alternative was offered to shareholders in respect of 2020 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends:		
Cash	4,547	13,648
Share alternative (<i>Note 14</i>)	27,434	75,697
	<u>31,981</u>	<u>89,345</u>

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the period is based on the following data:

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to the owners of the Company		
for the purpose of calculating basic and		
diluted (loss)/earnings per share	(62,110)	33,565

Number of shares

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for		
the purposes of basic (loss)/earnings per share	633,353,650	601,256,538

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for six months ended 31 December 2020 as there was no potential ordinary shares outstanding as at 31 December 2020.

9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR SALE

During the six months ended 31 December 2020, capital expenditure on additions of the investment properties was HK\$29,388,000 (31 December 2019: HK\$8,719,000), on properties under development was HK\$8,260,000 (31 December 2019: HK\$14,353,000).

The valuations of investment properties carried at fair value were updated at 31 December 2020 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 31 December 2019 valuations. As a result of the update, a net loss on fair value change of HK\$147,554,000 (31 December 2019: net loss on fair value change of HK\$23,648,000) has been recognised in the condensed consolidated income statement.

During the six months ended 31 December 2020, disposal of investment properties at the carrying value of HK\$334,979,000 (31 December 2019: HK\$116,790,000) at cash consideration of HK\$355,925,000 (31 December 2019: HK\$175,097,000) after deducting direct legal and professional fees.

10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Non-current assets		
Financial assets at fair value through other comprehensive income ("FVTOCI"):		
Perpetual notes, listed in Hong Kong (<i>Note (a)</i>)	112,368	123,174
Perpetual notes, listed outside Hong Kong (<i>Note (b)</i>)	4,898	4,418
Debentures, listed in Hong Kong (<i>Note (c)</i>)	1,813	4,495
Debentures, listed outside Hong Kong (<i>Note (d)</i>)	51,159	52,145
	<u>170,238</u>	<u>184,232</u>
Current assets		
Financial assets at fair value through other comprehensive income:		
Debentures, listed outside Hong Kong (<i>Note (d)</i>)	8,499	6,472
	<u>8,499</u>	<u>6,472</u>

The Group held the above investments under a business model whose objective is hold to collect the associated cash flows and sale; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

10. OTHER FINANCIAL ASSETS (Continued)

Note:

- (a) The Group invested in perpetual notes with principal amounts ranging from US\$500,000 to US\$10,000,000 listed in Hong Kong without fixed maturity date at floating rate of 7.75% with reset rate on reset date ranging from 5.72% plus mid-market swap rate and fixed rates ranging from 4.85% to 6.50% per annum, payable semi-annually.
- (b) The Group invested in perpetual notes with principal amount of US\$240,000 and US\$500,000 listed outside Hong Kong without fixed maturity date at a coupon rate ranging from 5.25% to 6.25% per annum, payable semi-annually.
- (c) The Group invested in one (2019: two) listed debentures with principal amount of US\$1,000,000 listed in Hong Kong with maturity date of 31 January 2028 at a fixed coupon rate of 6.50% per annum, payable semi-annually, respectively.
- (d) The Group invested in five listed debentures with principal amounts ranging from US\$250,000 to US\$3,100,000 with fixed maturity date ranging from 27 March 2021 to 28 June 2026 at a coupon rates ranging from 6.75% to 11.88% per annum, payable semi-annually which carry forward from 30 June 2020.
- (e) Financial assets at FVTOCI have been pledged to secure banking facilities granted to the Group (Note 18).
- (f) The credit risk on listed perpetual notes and debentures are considered to be insignificant because the issuers with high credit ratings assigned by international credit rating agencies.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong (Note (a))	31,758	31,168
Short-term investments (Note (b))	1,121,435	426,878
	<u>1,153,193</u>	<u>458,046</u>

Note:

- (a) The fair value of the Group's investments in listed equity securities have been measured as described in Note 20.
- (b) The short-term investments represented structured deposits which are placed with bank in the PRC and contain embedded derivatives, the returns of which are determined by reference to the performance of the underlying assets of the structured deposits and the interest rate earning for the range from 1.40% to 3.50% (30 June 2020 (Audited): 1.65% – 3.97%) per annum quoted in the market.

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Trade receivables		
From third parties	<u>269,796</u>	<u>1,704</u>
Other receivables		
Prepaid expenses	4,537	5,943
Costs for obtaining contracts	6,258	6,398
Utilities deposits	2,734	2,676
Other deposits	693	693
Other receivables	<u>11,891</u>	<u>12,919</u>
	<u>26,113</u>	<u>28,629</u>
	<u>295,909</u>	<u>30,333</u>

The trade receivables of the Group represent receivables from sale of completed properties for sale and rental and management fee in arrears. The Group maintains a credit policy to minimise any credit risk associated with trade receivables. As at the end of the reporting period the ageing analysis of the trade receivables (which is included in trade and other receivables), based on the debit note or invoice date, is as follows:

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	268,288	1,009
31 – 60 days	160	333
61 – 90 days	89	125
Over 90 days	<u>1,259</u>	<u>237</u>
	<u>269,796</u>	<u>1,704</u>

Trade receivables are due upon presentation of invoices.

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

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

13. BANK BALANCES AND CASH

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Pledged deposits	17,498	3,760
Cash at bank	<u>825,436</u>	<u>1,232,907</u>
Total	<u><u>842,934</u></u>	<u><u>1,236,667</u></u>

Included in bank and cash balances of the Group is HK\$751,968,000 (30 June 2020 (Audited): HK\$1,160,060,000) of bank balances denominated are placed with banks in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the bank balances are not freely transferred.

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

14. SHARE CAPITAL

	Unaudited As at 31 December 2020		Audited As at 30 June 2020	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Voting ordinary shares:				
At the beginning of the period/year	639,613,567	2,441,551	595,634,100	2,326,486
Issue of shares pursuant to scrip dividend scheme (<i>Note 7</i>)	<u>13,063,214</u>	<u>27,434</u>	<u>43,979,467</u>	<u>115,065</u>
At the end of the period/year	<u><u>652,676,781</u></u>	<u><u>2,468,985</u></u>	<u><u>639,613,567</u></u>	<u><u>2,441,551</u></u>

15. LEASE LIABILITIES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Total minimum lease payments:		
Due within one year	2,362	2,711
Due in the second to fifth years	<u>–</u>	<u>1,012</u>
	2,362	3,723
Future finance charges on leases liabilities (2020: finance lease liabilities)	<u>(39)</u>	<u>(92)</u>
Present value of leases liabilities (2020: finance lease liabilities)	<u><u>2,323</u></u>	<u><u>3,631</u></u>
Present value of minimum lease payments:		
Due within one year	2,323	2,627
Due in the second to fifth years	<u>–</u>	<u>1,004</u>
	2,323	3,631
Less: Portion due within one year included under current liabilities	<u>(2,323)</u>	<u>(2,627)</u>
Portion due after one year included under non-current liabilities	<u><u>–</u></u>	<u><u>1,004</u></u>

During the six-months ended 31 December 2020, the total cash outflows for the leases is approximately HK\$1,420,000 (Six months ended 31 December 2019: HK\$1,420,000).

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

16. CONTRACT LIABILITIES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Contract liabilities arising from receipt in advance	185,349	436,470

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

During the six months ended 31 December 2020, the Group's contract liabilities amount to HK\$185,349,000 (2020: HK\$436,470,000) and are expected to be recognised as revenue within one year. As a practical expedient, the balance does not involve significant financing component.

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

Contract liabilities outstanding at the beginning of the period amounting to HK\$436,470,000 have been recognised as revenue during the period.

17. COMMITMENTS

(a) Capital commitments

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

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Contracted but not provided for	<u>365,840</u>	<u>291,419</u>

(b) Operating lease commitments – as lessor

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

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Within one year	15,693	34,926
After 1 year but within 2 years	1,113	4,613
After 2 years but within 3 years	–	503
	<u>16,806</u>	<u>40,042</u>

(c) Operating lease commitments – as lessee

At 31 December 2020, the lease commitments for short-term leases (2020: total future minimum lease payments payable by the Group under non-cancellable operating leases) are payable as follows:

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Within one year	<u>13</u>	<u>164</u>

18. PLEDGE OF ASSETS

At 31 December 2020, the Group's total bank borrowings of HK\$950,000,000 (30 June 2020 (Audited): HK\$1,261,000,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties held for sales and land and building with carrying values of approximately HK\$2,805,650,000 (30 June 2020 (Audited): HK\$2,972,900,000), HK\$1,539,000 (30 June 2020 (Audited): HK\$1,539,000) and HK\$36,200,000 (30 June 2020 (Audited): HK\$36,400,000) respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of approximately HK\$17,498,000 (30 June 2020 (Audited): HK\$3,760,000);
- (iv) mortgages over the shares of certain subsidiaries;
- (v) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties; and
- (vi) financial assets at FVTOCI of approximately HK\$178,737,000 (30 June 2020 (Audited): HK\$190,704,000).

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		Six months ended	
		31 December	
		2020	2019
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors		5,145	6,771
Interest paid to Dr. Chao Sze-Tsung Cecil	(a)	3,899	4,964
Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") and Cecil Chao Design (Macau) Limited ("CCDML")	(b)	–	2,100
Commission paid to Szehope Securities Company Limited	(c)	32	76

19. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

- (a) Dr. Chao Sze Tsung Cecil has provided unsecured advances, to the Group at 1% over prime interest rate in Hong Kong per annum. At 31 December 2020, the advances from Dr. Chao Sze Tsung Cecil amounted to approximately HK\$100,632,000 (30 June 2020 (Audited): HK\$170,182,000). Dr. Chao Sze Tsung Cecil has confirmed that he will not request repayment of these advances in coming one year.
- (b) CCAL and CCDML rendered architectural and related services to the Group on terms agreed between both parties. Dr. Chao Sze Tsung Cecil is the beneficial owner of CCAL and CCDML. These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the reports of the directors.
- (c) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited.
- (d) Other than the above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

20. FAIR VALUE MEASUREMENT

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

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

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

20. FAIR VALUE MEASUREMENT (Continued)

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

		At 31 December 2020 (Unaudited)		
		Level 1	Level 2	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at FVTPL:				
Listed equity securities held for trading	(a)	31,758	–	31,758
Short-term investments	(c)	–	1,121,435	1,121,435
Financial assets at FVTOCI:				
Perpetual notes, listed in Hong Kong	(b)	–	112,368	112,368
Perpetual notes, listed outside Hong Kong	(b)	–	4,898	4,898
Debentures, listed in Hong Kong	(b)	–	1,813	1,813
Debentures, listed outside Hong Kong	(b)	–	51,159	51,159
		<u>31,758</u>	<u>1,291,673</u>	<u>1,323,431</u>
		At 30 June 2020 (Audited)		
		Level 1	Level 2	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at FVTPL:				
Listed equity securities held for trading	(a)	31,168	–	31,168
Short-term investments	(c)	–	426,878	426,878
Financial assets at FVTOCI:				
Perpetual notes, listed in Hong Kong	(b)	–	123,174	123,174
Perpetual notes, listed outside Hong Kong	(b)	–	4,418	4,418
Debentures, listed in Hong Kong	(b)	–	4,495	4,495
Debentures, listed outside Hong Kong	(b)	–	58,617	58,617
		<u>31,168</u>	<u>617,582</u>	<u>648,750</u>

20. FAIR VALUE MEASUREMENT *(Continued)*

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

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

Note

(a) Listed equity securities held for trading

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

(b) Listed debt securities

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

(c) Short-term investments

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the six months ended 31 December 2020 (the “Period”) amounted to HK\$878,860,000 (for the six months ended 31 December 2019: HK\$304,226,000), a 188.9% increase as compared with the same period last year. It was mainly due to increase in properties sold in Shenzhen amounted to HK\$836,598,000 during Period.

For property leasing, the Period recorded a decrease of 0.7% in rental income as compared with the corresponding Period in 2019, amounting HK\$31,921,000 (31 December 2019: HK\$32,151,000).

Gross profit for the Period amounted to HK\$739,410,000, a 290.2% increase as compared with same period last year.

Other income recorded a decrease of 20.9% to HK\$39,896,000 when compared with last year (31 December 2019: HK\$50,424,000). The other income for the Period were mainly attributed to dividend income, interest income and gain on disposal of investment properties. Increase in fair value of financial assets at fair value through profit or loss amounted to HK\$590,000 (31 December 2019: decrease HK\$154,000). Decrease in fair value of investment properties amounted to HK\$147,554,000 (31 December 2019: HK\$23,648,000). Administrative expenses decreased by 26.5% to HK\$37,309,000 as compared with the same period last year. Finance costs decreased by 18.2% to HK\$13,973,000 as compared with same period last year. The decrease was mainly due to decrease in borrowing and interest rate during the period. Income tax expenses increased to HK\$643,236,000 (31 December 2019: HK\$114,181,000) which was mainly due to increase in land appreciation tax and profit tax on sale of properties in Shenzhen during the Period.

Loss attributable to owners of the Company for the Year was HK\$62,110,000 (31 December 2019: profit HK\$33,565,000). Basic loss per share was HK\$0.10 (31 December 2019: earnings per share HK\$0.06) and fully diluted loss per share was HK\$0.10 (31 December 2019: earnings per share HK\$0.06).

Final dividend of HK5.0 cents for the year ended 30 June 2020 (30 June 2019: HK15.0 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2020 final dividend.

The Board resolved an interim dividend for the six months ended 31 December 2020 of HK2.0 cents (31 December 2019: HK7.5 cents) payable in cash. The interim dividend will be dispatched to all shareholders on 15 April 2021.

Total Equity Attributable To The Owners Of The Company

As at 31 December 2020, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$6,765,440,000 (30 June 2020: HK\$6,555,623,000), an increase of HK\$209,817,000 or 3.2% when compared with 30 June 2020. With the total number of ordinary shares in issue of 652,676,781 as at 31 December 2020 (30 June 2020: 639,613,567 shares), the total equity attributable to the owners of the Company per share was HK\$10.37, representing an increase of 1.2% compared to HK\$10.25 as at 30 June 2020. The increase in total equity attributable to owners of the Company per share was mainly attributable to increase in structured deposits resulted from sale of properties in Shenzhen.

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 And Other Comprehensive Income

As at 31 December 2020, the fair value of investment in listed securities and structured deposit, perpetual notes and debentures amounted to HK\$31,758,000 and HK\$1,121,435,000. HK\$178,737,000 respectively were classified as the financial assets at fair value through profit or loss and at fair value through other comprehensive income. During the Period, the portfolio was increased by gain on fair value of HK\$590,000 of listed securities and net disposal of perpetual notes and debentures HK\$11,544,000 and loss fair value of HK\$423,000. The investment in listed securities, bonds and structured deposit as at 31 December 2020 represented 11.8% (30 June 2020: 5.9%) of the total assets, which formed part of the Group's cash management activities.

Equity

The number of issued ordinary shares as at 31 December 2020 and 30 June 2020 were 652,676,781 and 639,613,567 respectively.

Debts And Gearing

As at 31 December 2020, the Group's bank and other borrowings amounted to HK\$1,062,298,000 (30 June 2020: HK\$1,442,453,000). Cash and bank balances and structural deposit amounted to HK\$1,964,369,000 (30 June 2020: HK\$1,663,545,000) and net deposit amounted to HK\$902,071,000 (30 June 2020: HK\$221,092,000).

Total debts to equity ratio was 15.7% (30 June 2020: 22.0%) and net deposit to equity ratio was 13.3% (30 June 2020: 3.4%).

The decrease in the total debt to equity ratio and increase in net deposit to equity ratio were mainly due to decrease in bank borrowing during the period and increase in cash and bank balances and structural deposit resulted from increase in sale of properties during period.

As at 31 December 2020, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,062,298,000, 89.5% and 10.5% were repayable within 1 year and 1 to 2 years respectively by reference to the repayment schedule of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to HIBOR.

Pledge Of Assets

As at 31 December 2020, the Group's investment properties, properties held for sales and land and building with carrying value of HK\$2,805,650,000 (30 June 2020: HK\$2,972,900,000), HK\$1,539,000 (30 June 2020: HK\$1,539,000) and HK\$36,200,000 (30 June 2020: HK\$36,400,000) were pledged to secure general banking facilities of the Group.

Finance Costs

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$4,521,000 as compared to HK\$10,433,000 for the same period last year. Interest expenses for the Period amounted to HK\$18,494,000, representing 32.8% decrease over the interest expenses of HK\$27,518,000 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 Period. The average interest rate over the period under review was 3.0% (31 December 2019: 3.5%) 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 Roma Appraisal Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 31 December 2020 and that valuation was used in preparing financial statements for the six months ended 31 December 2020. The Group's investment properties and investment properties under development were valued at HK\$5,107,932,000 and HK\$1,684,812,000 respectively making the total HK\$6,792,744,000 (30 June 2020: investment properties and investment properties under development were valued at HK\$5,428,781,000 and HK\$1,656,094,000 making the total HK\$7,084,875,000). The decrease in fair value of approximately HK\$147,554,000 was credited to the income statement for the Period. The Group land and building held for a director's quarter carried at fair value were valued at HK\$36,200,000 (30 June 2020: HK\$36,400,000). There is HK\$200,000 decrease in fair value for the Period were recorded in the property revaluation reserves. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

RISK MANAGEMENT

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

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2020, the Group employed a total of 80 (as at 31 December 2019: 90) 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.

INTERNAL CONTROL

We have performed periodic review on the internal control of the Group. Current year review will be completed by the end of the financial year.

ENVIRONMENTAL POLICIES AND COMPLIANCE

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

A review on the performance on our environmental policy has been carried out and will be completed by the end of the financial year.

KEY RELATIONSHIPS

Relationships with vendors

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

Relationships with customers

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

Relationships with employees

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

BUSINESS REVIEW

Hong Kong Properties

Hong Kong economy were affected by the outbreak of coronavirus. However the effect on residential sector is not as serious as the commercial sectors.

The progress of our projects is as follows:-

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

Construction of both Phase 1 and Phase 2 of the project is all completed. The occupation permit for Phase 1 and Phase 2 has been obtained. Application for Certificate of Compliance was submitted in August 2020. The District Lands Office is currently vetting the submitted documents. It is anticipated that the Certificate of Compliance may be obtained in the second half of this year barring unforeseen circumstances such as the coronavirus pandemic can be under controlled.

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

The occupancy rate of the three blocks is 85% which contributed good rental income to the Group.

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

The occupancy rate of the two blocks is 95% which contributed good rental income to the Group.

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

Renovation works for the two villas to enhance the quality is completed and under marketing.

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

All units of the villas in Phase 1 were leased out. The overall site improvement work and construction of Phase 2 is in progress.

China Properties

Since the second half of last year, the economy in China has gradually recovered from coronavirus pandemic. It is anticipating the tendency will continue and possibly improve in long run. China's real estate market has grown positively in the past years and is a key component in the economy. Currently, China's economy has slowed down partly due to the escalating trade war with the US which may be counteracting by internal spending and opening the market and improve trade with other nations.

Cheuk Nang Garden

Longhwa, Shenzhen

Upto the date of this report, a total of 769 units have been sold and the sales transactions amount achieved is RMB3,729 million.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

規劃驗收 has been approved and issued by the Government. Submission of 建築驗收 and other certificates required by the Authority have been applied by us for final approval. Sales marketing will commence afterwards.

Macau Properties

Although the coronavirus in Macau is well under control, the economy is very much deteriorated by the pandemic situation in the surrounding cities which deterred the tourists from visiting Macau while gambling business has been seriously affected.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

Although building plans (ante projecto) has been approved and numerous contacts and conferences with the new government, we are still waiting for the permission for our premium payment application for change of land use.

Malaysia Properties

For 2020 as a whole, under the midst of the coronavirus, the economy was contracted due to the restrictions on mobility, especially on inter-district and inter-state travel and all economic sectors have recorded negative growth.

Phase I “Parkview”

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

The first stage renovation of the vacant serviced apartments is completed. The occupancy and the income from the business was very much reduced.

Phases II “Cecil Central Residence”

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

The amended Development Order has been approved. New application for approval of the amended building plans was submitted. Due to the poor market situation, the construction plan will be delayed.

OUTLOOK

The outbreak of coronavirus has been lasted for over one year. The unemployment rate in Hong Kong has reached 17 years' high up to 7%. The Hong Kong government has put their effort to fight against the virus by trying to cut the transmission chain. Coronavirus vaccines has arrived Hong Kong and it is crucial to the resumption of the normal ways of life.

Although we are now facing the most difficult time, we still looking forward to the economy may resume gradually in the second half of this year, following the coronavirus may be better controlled.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK2.0 cents (2019: HK7.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 1 April 2020. The interim dividend is payable in cash and will be paid on 15 April 2020.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 29 March to 1 April 2021 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the interim dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 March 2021.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2020.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. During the period, the Company had complied with the relevant provisions set out in the Corporate Governance Code (the “CG Code”) based on the principles set out in Appendix 14 to the Listing Rules, save the following:

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code;
- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

REVIEW OF INTERIM RESULTS

During the period, the Board Audit Committee comprises Mr. Lam Ka Wai, Graham (independent non-executive director), Dr. Sun Ping Hsu Samson (independent non-executive director) and Mr. Lee Ding Yue, Joseph (non-executive director). The Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Company for the six months ended 31 December, 2020. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

The interim financial statements for the six months ended 31 December 2020 have not been audited but have been reviewed by the Company’s external auditor.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted codes of conduct regarding securities transactions by Directors (the “Securities Code”) and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the six months ended 31 December 2020. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2020, the interests and short positions of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Equity	Personal interest	Corporate interests
Chao Sze-Tsung Cecil	Ordinary Shares of	32,573,397 shares	453,408,112 shares
Lee Ding Yue Joseph	Ordinary Shares of	1,765,767 shares	—

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

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

Save as disclosed above, none of the Directors or their associates had any interest or short position in the shares of the Company or its subsidiaries as at 31 December 2020 that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies

At no time during the year was the Company, any of its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 25 February 2021

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 and the Independent Non-executive Directors are Dr. Sun Ping Hsu Samson, Mr. Ting Woo Shou Kenneth and Mr. Lam Ka Wai Graham.