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WINFULL GROUP HOLDINGS LIMITED

宏輝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 183)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

INTERIM RESULTS

The board of directors (the "Director(s)") (the "Board") of Winfull Group Holdings Limited (the "Company") herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2016

		Six months ended 31 December	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	4	6,492	6,393
Cost of sales		(1,475)	(2,144)
Gross profit		5,017	4,249
Other income	4	6,048	3,991
Administrative expenses and other operating expenses		(12,595)	(8,920)
Fair value gain on investment properties		4,348	–
Finance costs		(454)	–
Profit/(Loss) before income tax	5	2,364	(680)
Income tax expense	6	(1,301)	(51)
Profit/(Loss) for the period		1,063	(731)
Profit/(Loss) for the period attributable to:			
Owners of the Company		1,164	(882)
Non-controlling interests		(101)	151
		1,063	(731)
Profit/(Loss) per share for profit/(loss) attributable to owners of the Company for the period	8		
Basic and diluted		HK0.04 cent	HK(0.03) cent

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 31 December 2016

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit/(Loss) for the period	1,063	(731)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain/(loss) on available-for-sale financial assets	5,991	(5,125)
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	(865)	303
Exchange differences arising on translation of foreign operations	28	(7,262)
Other comprehensive income for the period, net of tax	5,154	(12,084)
Total comprehensive income for the period	6,217	(12,815)
Total comprehensive income for the period attributable to:		
Owners of the Company	6,318	(12,966)
Non-controlling interests	(101)	151
	6,217	(12,815)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		At 31 December 2016 HK\$'000 (Unaudited)	At 30 June 2016 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		951	1,157
Investment properties		413,200	408,852
Interests in associates		–	–
Interests in joint ventures		–	–
Available-for-sale financial assets	9	45,502	44,982
Deposits for investment properties		3,023	–
		462,676	454,991
Current assets			
Amounts due from associates		82,414	86,914
Amounts due from a joint venture		11	20
Available-for-sale financial assets	9	–	5,982
Properties held for trading		99,199	105,157
Properties under development		444,884	444,775
Trade receivables	10	3,530	3,384
Prepayments, deposits and other receivables		5,316	1,758
Financial assets at fair value through profit or loss		26,824	26,824
Cash and bank balances		418,881	410,936
		1,081,059	1,085,750
Current liabilities			
Accrued expenses and other payables		6,629	7,642
Borrowings		2,679	2,915
Amounts due to non-controlling shareholders		235,053	234,813
Provision for income tax		1,761	516
		246,122	245,886
Net current assets		834,937	839,864
Total assets less current liabilities		1,297,613	1,294,855

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(cont'd)

As at 31 December 2016

	Notes	At 31 December 2016 HK\$'000 (Unaudited)	At 30 June 2016 HK\$'000 (Audited)
Non-current liabilities			
Borrowings		22,774	26,233
Deferred tax liabilities		739	739
		23,513	26,972
<hr/>			
Net assets		1,274,100	1,267,883
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EQUITY			
Share capital	11	31,385	31,385
Reserves		1,243,962	1,237,644
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Equity attributable to owners of the Company		1,275,347	1,269,029
Non-controlling interests		(1,247)	(1,146)
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Total equity		1,274,100	1,267,883
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	960	(78,704)
Net cash generated from/(used in) investing activities	10,410	(61,449)
Net cash used in financing activities	(3,453)	–
Net increase/(decrease) in cash and cash equivalents	7,917	(140,153)
Cash and cash equivalents at beginning of period	410,936	467,220
Effect of foreign exchange rate change	28	(7,262)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	418,881	319,805
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	32,992	19,810
Short-term deposits	385,889	299,995
	418,881	319,805

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2016

	Equity attributable to owners of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Share-based payment reserve HK\$'000 (Unaudited)	Revaluation reserve HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 July 2015	27,185	1,050,559	(4,064)	8,082	1,234	4,377	154,535	1,241,908	(557)	1,241,351
Profit/(loss) for the period	-	-	-	-	-	-	(882)	(882)	151	(731)
Other comprehensive income:										
Net fair value loss on available-for-sale financial assets	-	-	-	-	(5,125)	-	-	(5,125)	-	(5,125)
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	303	-	-	303	-	303
Exchange differences arising on translation of foreign operations	-	-	(7,262)	-	-	-	-	(7,262)	-	(7,262)
Total comprehensive income for the period	-	-	(7,262)	-	(4,822)	-	(882)	(12,966)	151	(12,815)
At 31 December 2015	27,185	1,050,559	(11,326)	8,082	(3,588)	4,377	153,653	1,228,942	(406)	1,228,536

	Equity attributable to owners of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Share-based payment reserve HK\$'000 (Unaudited)	Revaluation reserve HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 July 2016	31,385	1,108,644	(224)	11,074	(2,301)	4,377	116,074	1,269,029	(1,146)	1,267,883
Profit/(loss) for the period	-	-	-	-	-	-	1,164	1,164	(101)	1,063
Other comprehensive income:										
Net fair value gain on available-for-sale financial assets	-	-	-	-	5,991	-	-	5,991	-	5,991
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	-	-	-	-	(865)	-	-	(865)	-	(865)
Exchange differences arising on translation of foreign operations	-	-	28	-	-	-	-	28	-	28
Total comprehensive income for the period	-	-	28	-	5,126	-	1,164	6,318	(101)	6,217
At 31 December 2016	31,385	1,108,644	(196)	11,074	2,825	4,377	117,238	1,275,347	(1,247)	1,274,100

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Winfull Group Holdings Limited (the "Company") is an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit A, 6th Floor, 9 Queen's Road Central, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Group is principally engaged in the property investment and trading, property development and provision of renovation services. There were no significant changes in the Group's operations during the period.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors (the "Board") of the Company on 24 February 2017.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2016 (the "Condensed Financial Report") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These Condensed Financial Report do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016 (the "2016 Annual Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

Basis of preparation *(cont'd)*

The preparation of the Condensed Financial Report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing the Condensed Financial Report, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2016 Annual Financial Statements.

The Condensed Financial Report have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, available-for-sale financial assets and investment properties which are stated at fair value.

The Condensed Financial Report are presented in Hong Kong Dollars ("HK\$") which is also the functional currency of the Company and all values are rounded to the nearest thousands ("HK\$'000") unless otherwise stated.

Principal accounting policies

The accounting policies used in the preparation of these Condensed Financial Report are consistent with those set out in the 2016 Annual Financial Statements.

The Group has not applied any new or revised standards, amendments and interpretations (new and amended HKFRSs) issued by the HKICPA that are not yet effective for the current accounting period.

The directors of the Company are in the process of making an assessment of the potential impact of new and amended HKFRSs but are not yet in a position to state whether they could have material financial impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

Property Development Business: Property development

Property Investment and Trading Business: Investment in properties and property trading for profit-making purpose

Renovation Business: Provision of renovation services

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers are priced with reference to prices charged to external parties for similar orders.

The measurement policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that reclassified from equity to profit or loss on significant decline in fair value of available-for-sale financial assets and disposals of available-for-sale financial assets, certain interest income, dividend income, share of results of associates and a joint venture, net exchange loss/gain, equity-settled share-based payments, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but investments in financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

3. SEGMENT INFORMATION (cont'd)

There was no inter-segment sale and transfer during the period (six months ended 31 December 2015: Nil).

	Six months ended 31 December 2016 (Unaudited)			
	Property Development Business HK\$'000	Property Investment and Trading Business HK\$'000	Renovation Business HK\$'000	Total HK\$'000
Reportable segment revenue:				
From external customers	–	5,516	976	6,492
Reportable segment profit/(loss)	(161)	11,115	85	11,039
Reportable segment assets	308,497	519,649	930	829,076

	Six months ended 31 December 2015 (Unaudited)			
	Property Development Business HK\$'000	Property Investment and Trading Business HK\$'000	Renovation Business HK\$'000	Total HK\$'000
Reportable segment revenue:				
From external customers	–	3,971	2,422	6,393
Reportable segment profit/(loss)	(288)	3,523	277	3,512
Reportable segment assets	226,445	557,451	1,205	785,101

3. SEGMENT INFORMATION (cont'd)

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:

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	6,492	6,393
Consolidated revenue	6,492	6,393
Profit before income tax		
Reportable segment profit	11,039	3,512
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	865	(303)
Interest income	1,831	1,926
Dividend income	453	1,415
Exchange losses, net	(4,335)	(2,569)
Corporate salaries and allowances	(4,636)	(1,629)
Depreciation on corporate property, plant and equipment	(6)	(356)
Corporate rent and rates	(945)	(2,018)
Unallocated corporate expenses	(1,902)	(658)
Consolidated profit/(loss) before income tax	2,364	(680)

The Group's revenue from external customers are all derived from Hong Kong.

The following table provides an analysis of the Group's non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Specified non-current assets	
	31 December	30 June
	2016	2016
	HK\$'000	HK\$'000
Hong Kong	414,151	410,009
Japan	3,023	–
	417,174	410,009

4. REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in note 1 to this report. Revenue from the Group's principal activities and other income recognised during the period are as follows:

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rental income from investment properties	5,516	3,971
Renovation service income	976	2,422
	6,492	6,393
Other income		
Interest income	1,835	1,926
Dividend income	453	1,415
Rental income from properties held for trading and properties under development	2,895	–
Reclassified from equity to profit or loss on disposals of available-for-sale financial assets	865	–
Sundry income	–	650
	6,048	3,991

5. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging the following:

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	206	552
Directors' remuneration	4,034	1,055
Exchange losses, net	4,335	2,569

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2015: 16.5%) on the estimated assessable profit arising in Hong Kong for the current period.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

8. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit/(loss) per share are based on the following data:

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period, attributable to owners of the Company (HK\$'000)	1,164	(882)
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Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	3,138,500	2,718,500
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There were no diluted potential ordinary shares for the six months ended 31 December 2016 and 2015 as the outstanding share options were out of the money for the purpose of the diluted earnings per share calculation.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Non-current		
Listed equity securities – Hong Kong	11,940	11,789
Unlisted investment funds	33,562	33,193
	45,502	44,982
Current		
Unlisted investment funds	–	5,982
	45,502	50,964

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Net carrying amount at beginning of the year	50,964	57,188
Additions	319	28,689
Disposals	(11,772)	(28,713)
Change in fair value (debited)/credited to revaluation reserve in equity	5,991	(6,200)
Net carrying amount at end of the period/year	45,502	50,964

Listed equity securities and unlisted investment funds with carrying amounts of HK\$11,940,000 (30 June 2016: HK\$11,789,000) and HK\$21,367,000 (30 June 2016: HK\$19,909,000) respectively are stated at fair value. The fair values have been determined directly by reference to published price and quotations in active markets.

Unlisted investment funds with a carrying amount of HK\$12,195,000 (30 June 2016: HK\$19,266,000) are measured at cost less impairment losses as the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The directors of the Company are of the opinion that the fair value cannot be measured reliably.

As at 30 June 2016, available-for-sale financial assets were individually determined to be impaired on the basis of a material decline in their fair value below cost which indicated that the investment costs may not be recovered. For the six months ended 31 December 2016, no impairment on these investments was recognised in profit or loss (2015: Nil).

10. TRADE RECEIVABLES

The Group generally allows a credit period of 1 month to its trade customers.

Based on the invoice dates, all trade receivable as at 31 December 2016 and 30 June 2016 were aged within 90 days.

11. SHARE CAPITAL

	Number of shares	HK\$'000 (Unaudited)
Authorised		
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000
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Issued and fully paid		
Ordinary shares of HK\$0.01 each At 1 July 2016 and 31 December 2016	3,138,500,000	31,385

12. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related parties during the period:

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Renovation service income received from a related company controlled by one of the substantial shareholders of the Company	–	2,406
Rental expenses paid to a related company owned by a substantial shareholder and director of the Company	840	840
Professional fees paid to a related company in which one director of the Company is a partner	–	150
	840	3,396

These transactions were conducted at pre-determined prices in accordance with terms mutually agreed between the Group and these related parties. These transactions are conducted in the normal course of business.

12. MATERIAL RELATED PARTY TRANSACTIONS *(cont'd)*
Key management personnel compensation

	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,034	1,055

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (cont'd)

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

	Notes	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
31 December 2016					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	11,940	–	–	11,940
– Unlisted investment funds	(b)	–	21,367	–	21,367
Financial assets at fair value through profit or loss					
– Unlisted investment funds	(b)	–	26,824	–	26,824
Total and net fair values		11,940	48,191	–	60,131

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(cont'd)*

	Notes	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
30 June 2016					
Assets:					
Available-for-sale financial assets					
– Listed equity securities	(a)	11,789	–	–	11,789
– Unlisted investment funds	(b)	–	19,909	–	19,909
Financial assets at fair value through profit or loss					
– Unlisted investment funds	(b)	–	26,824	–	26,824
Total and net fair values		11,789	46,733	–	58,522

There have been no significant transfers between levels 1 and 2 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.

(a) Listed Equity Securities

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

(b) Unlisted Investment Funds

The unlisted investment funds are denominated in US\$. Fair values of unlisted investment funds included in Level 2 have been determined based on observable market prices which are sourced from broker quotes as provided by financial institutions. Most significant inputs are observable market data including quoted market prices.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was principally engaged in property investment and trading, property development and provision of renovation services.

During the six months ended 31 December 2016, the Group was engaged in two property development projects in Hong Kong. The Group has four potential investment properties, which are commercial and industrial properties located in Hong Kong, and one trading property, which is a commercial property in Cardiff, the United Kingdom.

The Hong Kong economy grew modestly since last financial year, underpinned by a strengthening in domestic demand and a relative improvement in external demand. The residential property market put up a brisk performance in the period under review. Flat prices recorded an accelerated increase along with surge in trading activities, amid a still tight demand-supply situation and further delay in the interest rate increase in United State (the "US"). Global economic growth stayed modest and global demand staging some modest recovery since early 2016. The United Kingdom (the "UK") remained on a modest growth track, as the contagion effect of Brexit has been largely contained so far and it is still highly uncertain whether the UK's formal exit process could be triggered next year. The lingering uncertainties continuously associated with the US interest rate normalization, monetary policy divergence of major central banks, the geopolitical tension in various parts of the world and the Brexit of UK. Those unexpected events continue to cast a shadow on Hong Kong and global economy.

FINANCIAL REVIEW

For the six months ended 31 December 2016, the Group recorded a turnover of approximately HK\$6,492,000, representing an increase of approximately 2% comparing with that of approximately HK\$6,393,000 for the corresponding period of last financial year. The improvement in turnover was mainly attributed to the increase in turnover from the property investment and trading business.

Profit before income tax of the Group for the six months ended 31 December 2016 was approximately HK\$2,364,000, and a loss before income tax of approximately HK\$680,000 was recognized for the corresponding period of last financial year. The profit for the current period was mainly attributable to fair value gain on investment properties for the period under review. Thus, the profit attributable to shareholders of the Company (the "Shareholder(s)") for the six months ended 31 December 2016 amounted to approximately HK\$1,164,000, representing a turnaround performance from the loss attributable to Shareholders of approximately HK\$882,000 for the corresponding period of last financial year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had net current assets of approximately HK\$834,937,000 (30 June 2016: approximately HK\$839,864,000), including cash and bank balances of approximately HK\$418,881,000 (30 June 2016: approximately HK\$410,936,000).

The gearing ratio was 1.6% as at 31 December 2016 (30 June 2016: 1.9%). The gearing ratio is derived by dividing the total of borrowings by total assets. The gearing ratio has decreased for the six months ended 31 December 2016 when compared to 30 June 2016 due to the partial repayment of the mortgage loan for acquisition of the Atlantic House at Cardiff, the United Kingdom.

During the six months ended 31 December 2016, the Group financed its operations with its own working capital and bank borrowings. As at 31 December 2016, the unsecured and secured bank borrowing of the Group was approximately HK\$25,453,000 (30 June 2016: HK\$29,148,000), in which approximately HK\$12,056,000 were repayable within a period of not exceeding 5 years (30 June 2016: HK\$14,574,000) and approximately HK\$13,397,000 were repayable beyond 5 years (30 June 2016: HK\$14,574,000), and there was no other borrowing (30 June 2016: Nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 December 2016 and there is no plan for material investments or capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2016, the property held for trading with carrying value of HK\$67,796,000 was pledged to secure bank borrowings for the Group (30 June 2016: HK\$73,755,000).

CONTINGENT LIABILITIES

The Company and one of its subsidiaries had executed guarantees of HK\$210,000,000 each (30 June 2016: HK\$210,000,000) in respect of the banking facilities of the associate for the property development projects at Nos. 18–32 Junction Road, Kowloon, Hong Kong as at 31 December 2016.

LEASE AND CONTRACTED COMMITMENTS

The Group leases a number of properties under operating leases. The leases run for an initial period of two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases payable by the Group as follows:

As Lessee

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Within one year	1,680	560
In the second to fifth years	1,470	–
	3,150	560

The Group leases its properties under operating lease arrangements which run for an initial period of two years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. None of the leases include contingent rentals.

As at 31 December 2016, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

As Lessor

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Within one year	14,936	15,600
In the second to fifth years	29,580	25,570
Later than five years	11,348	14,604
	55,864	55,774

LEASE AND CONTRACTED COMMITMENTS (cont'd)
Capital Commitments

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Commitments for the acquisition of an investment property in Japan	12,093	–
Commitments for acquisition of available-for-sale financial assets	62,608	2,517
	74,701	2,517

Save for the above commitment, as at 31 December 2016, neither the Group nor the Company had any other significant commitments.

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 May 2016, the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place through Sanfull Securities Limited, on a best effort basis, up to 420,000,000 placing shares of the Company at the placing price HK\$0.15 per placing share of the Company to not less than six placees who and whose beneficial owners shall be independent third parties. The allotment of new shares of the Company was completed on 25 May 2016. The actual net proceeds from the placing were approximately HK\$62.4 million, of which HK\$50 million is intended for the costs, expenses and obligations of the property development project and the remaining HK\$12.4 million for general working capital of the Group. HK\$8.6 million was used up to 31 December 2016 for general working capital of the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 31 December 2016 were denominated in United States dollars (the "US\$"), GBP, HK\$ and Japanese Yen (the "JPY"), and most of the assets and liabilities as at 31 December 2016 were denominated in US\$, GBP, HK\$ and JPY. Accordingly, the Board is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US\$ foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US\$ to HK\$ is comparatively stable. However, the Group is exposed to GBP and JPY foreign exchange exposure and the fluctuation of exchange rates of GBP and JPY against HK\$ could affect the Group's results of operations. During the period, foreign currency banking facilities for GBP and JPY were arranged for acquisition of properties in UK and Japan to hedge for the GBP and JPY foreign exchange exposure.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group are set out in note 3 to the Condensed Financial Report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 11 (30 June 2016: 12) employees, including Directors. Total staff cost (including Directors' emoluments) was approximately HK\$4,774,000 for the six months ended 31 December 2016 as compared to approximately HK\$1,758,000 for the six months ended 31 December 2015. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

BUSINESS OVERVIEW

Property Development Business

During the period under review, the Group is engaged in two property development projects, which are both located in Kowloon, Hong Kong. A shareholder's agreement with a wholly owned subsidiary of Phoenix Asia Real Estate Investment, a former customer of the Group, for establishing an associate for a property redevelopment project at Nos. 18-32 Junction Road, Kowloon, Hong Kong (the "Junction Road Property Project"), which the Group has 30% equity interests, has been proceeded in 2011. The project has a site area of approximately 10,200 square feet and a gross floor area of approximately 84,000 square feet. The project will be developed into a composite residential and commercial building.

In respect of the redevelopment project at Nos. 142-154 Carpenter Road, Kowloon, Hong Kong (the "Carpenter Road Property Project"), the Group has acquired all the property units of this project during the year ended 30 June 2012. It has a site area of approximately 9,100 square feet. The Group held 100% equity interests of the project. On 17 March 2014, the Company has disposed 49% equity interests in those wholly owned subsidiaries, which held the Carpenter Road Property Project, to an independent third party. The disposal represents a good opportunity for realisation of the Group's investment in the Carpenter Road Property Project whilst allows the Group to maintain its interests in the redevelopment of the project. Further, the proceeds from the disposal can reduce the overall gearing of the Group. It can further strengthen the cash position of the Group and will allow the Group to reallocate its resources for future development.

BUSINESS OVERVIEW *(cont'd)*

Property Development Business *(cont'd)*

Since there was a landmark judgment delivered by the Court of Final Appeal (the "CFA") of Hong Kong in May 2013 for the definition of "House", the developments of these two projects were restricted under the relevant lease. On 25 June 2014, a new practice note for the "House" restrictions under government leases has been circulated by the Lands Administration Office of the Lands Department in regards to the landmark judgment delivered by CFA.

As updated in the announcement dated 16 December 2015, an approval letter in relation to the redevelopment of the Junction Road Property Project under lease conditions was granted by District Lands Officer/Kowloon East of the Lands Department and no land premium was mentioned. However, it is contemplated that additional commitment would be required for additional costs for reinitiating the project as a result of the suspension in construction works because of the delay in approval of the project by District Lands Officer. As further updated in the announcement dated 15 June 2016, each of the Group and its joint venture partner executed further guarantee to secure a facility for the project with an additional commitment to be borne by the Group will be approximately HK\$66 million, representing the 30% interest of the Group in the project. The occupation permit of the project has been approved on 31 May 2016 and the development work is expected to be completed in the first quarter of 2017.

The application regarding the redevelopment of the Carpenter Road Property Project is still subject to be reviewed by the relevant government departments. The Group and its joint venture partner continue to evaluate the possible impact of the new practice note and the CFA judgment before deciding on the actions to be taken.

Property Investment and Trading

The Group has acquired four potential commercial and industrial properties for investment purpose, which are located in Hong Kong, and a potential commercial property in Cardiff, the UK, for property trading. Details of those properties are as follows:

Ground Floor Shop at Kimberley Road, Tsim Sha Tsui

This property is located at the ground floor of Wing Lee Building at No. 23-31C Kimberley Road, Tsim Sha Tsui, Kowloon with approximately 4,500 square feet. It is currently leased by a local style restaurant. Being benefited by steady inbound tourism and local demand, the Group believes that this property could generate stable rental income for the Group.

BUSINESS OVERVIEW *(cont'd)*

Property Investment and Trading *(cont'd)*

Roof of Block C of Sea View Estate, North Point

This property is located at the front portion of the roof of Sea View Estate in North Point, which is facing the South of Victoria Harbour in Hong Kong Island. The Group believes that it can be converted into an eye-catching rooftop advertising signage with approximately 300 square meters. The advertising signage has been reconstructed and strengthened for LED signage. The Group is looking for potential tenant for the signage.

Retail Shop Units at Grand Scholar, No. 419K Queen's Road West

The property is located at Grand Scholar, No. 419K Queen's Road West, Hong Kong with two shops, including shops on ground floor and on lower ground 1st floor. The property has a total gross floor area of approximately 10,300 square feet and has been leased to a church with a steady rental income.

Whole Floor of Kenning Industrial Building at 19 Wang Hoi Road, Kowloon Bay

The property is located at 4th Floor of Kenning Industrial Building, No. 19 Wang Hoi Road, Kowloon Bay, Hong Kong and is in proximity to the Kowloon Bay MTR station. The property has a total gross floor area of approximately 16,500 square feet and over 60% of the floor area of the property has been leased.

Atlantic House at Cardiff, United Kingdom

The property is located at Cardiff, the UK with a total net floor area of approximately 42,000 square feet. The property consists of two office buildings which are individually let to two tenants, including a law firm and a university. The existing gross rental yield of the property is more than 7%. Cardiff is the principal office market within Wales and one of the major regional central in the UK. The Group believes that it is a good opportunity for acquiring the property for short term trading purpose and for diversifying to another potential property market with steady overseas demand and with buyers looking for a safe haven for their capital.

During the period under review, the segment from property investment and trading business recorded a total rental income of approximately HK\$8,411,000 (six months 31 December 2015: approximately HK\$3,971,000), including revenue of approximately HK\$5,516,000 (six months 31 December 2015: approximately HK\$3,971,000) and rental income in other income of approximately HK\$2,895,000 (six months 31 December 2015: Nil). This segment is expected to provide a significant and steady income source to the Group.

PROSPECTS

The growth of Hong Kong economy remained moderate for the period under review and the property market showed a brisk performance in late 2016. The Hong Kong Government (the "Government") continued to put in significant effort to manage demand and reduce the possible risks to financial stability arising from an exuberant property market. The Government also sustained its effort of raising flat supply through land sale program and other terms of land supply sources. Looking forward, market sentiment in the near future may still be influenced by the US Federal Reserve's recent repeated hesitations in lifting interest rates, which implied an interest rate uptrend that would be more gradual than earlier expected.

With the purpose of offering better returns to the Shareholders, the Group decided to concentrate on property investment and trading, and development businesses. The Group believed that the business of property developments and property investment and trading both locally and internationally can broaden the revenue base and benefit the Company and the Shareholders as a whole in the long run.

Despite the uncertainty in Hong Kong and global economy, we are confident that Hong Kong will remain relevant and vital in its own right and as part of China. The Group will continue to explore potential property investment and trading opportunities with a view to have a diversified and balanced portfolio and to provide steady income source to the Group. The Group is conscious to monitor and analyze the impact of the local and global economy so as to make cautious business decisions and to adjust our development plan if necessary so as to maximize the return to the Shareholders.

CONTINUING CONNECTED TRANSACTION

On 30 September 2016, the Board approved the renewal of a tenancy agreement of the Company (the "Tenancy Agreement") with Flexwood Limited ("Flexwood") as landlord, which were signed on 30 September 2016, pursuant to which the Company continued to rent an existing premises owned by Flexwood for a term of two years commencing from 15 October 2016 with the monthly rent of HK\$140,000. The Directors considered that it was in the commercial interest of the Company if the Company continued to rent the existing office premises as it was not easy to identify other appropriate premises and the Company would bear unnecessary relocation costs and expenses if the Company had to move to other premises. Flexwood is a property holding company wholly and beneficially owned by Mr. Pong Wilson Wai San ("Mr. Pong"), a Director and substantial shareholder of the Company. Accordingly, Flexwood is a connected person to the Company as defined under the Listing Rules and the transaction under the Tenancy Agreement constitutes continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The details of the above continuing connected transaction were set out in the Company's announcement dated 30 September 2016.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the six months ended 31 December 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code as set out in the Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the six months ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Company maintains a high standard of corporate governance practices. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take unique risks to make short term gains at the expense of the long term objectives.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro rata basis to existing Shareholders.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 2 May 2002, with the latest written terms of reference adopted on 3 June 2016 in compliance with the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process, risk management and internal control of the Group. The Committee comprises three independent non-executive Directors, namely Mr. Koo Fook Sun Louis, Mr. Lung Hung Cheuk and Ms. Yeung Wing Yan Wendy. The unaudited consolidated results of the Group for the six months ended 31 December 2016 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Pong Wilson Wai San
Chairman

Hong Kong, 24 February 2017

As at the date of this announcement, the executive Directors are Mr. Pong Wilson Wai San, Mr. Lee Wing Yin and Mr. Ngan Man Ho, the non-executive Director is Mr. Lai Hin Wing Henry and the independent non-executive Directors are Mr. Koo Fook Sun Louis, Mr. Lung Hung Cheuk and Ms. Yeung Wing Yan Wendy respectively.