



C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224

INTERIM REPORT 2016

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DIRECTORS

Executive directors

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
(*Deputy Chairman & Managing Director*)
Mr. Tsang Wai Choi (*Deputy Chairman*)
Mr. Wong Chi Keung (*Deputy Chairman*)
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey (*Chairman*)
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

NOMINATION COMMITTEE

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

REMUNERATION COMMITTEE

Mr. Leung Yu Ming Steven (*Chairman*)
Mr. Cheung Chung Kiu
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Dr. Wong Lung Tak Patrick

AUTHORISED REPRESENTATIVES

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

COMPANY SECRETARY

Ms. Cheung Fung Yee

WEBSITE

www.ccland.com.hk

STOCK CODE

1224

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3308-10, 33rd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Hong Kong
Cheung, Tong & Rosa

Bermuda
Conyers Dill & Pearman

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Wing Lung Bank Limited

Management Discussion and Analysis

On behalf of the Board of Directors (the “Directors” or the “Board”) of C C Land Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016.

BUSINESS REVIEW

Boosted by government support including interest rate cuts and lower deposit requirements, China’s housing market started to recover in the second half of 2015 after having cooled for more than a year. The pace of recovery, however, was slow in non-top-tier cities, and varied from city to city. The developers in economically less developed cities are still carrying inventories at a high level, and may resort to price cuts to stimulate sales.

The year 2016 has been a year of change for the Group after the strategic disposal of the majority of its property projects in 2015. These strategic disposals, timely made under then satisfactory financial conditions, allowed the Group to repay all outstanding loans, leading to a debt free financial position and a powerful war chest as at 30 June 2016. The Group is now sourcing actively potential investment opportunities in tier one cities of China, in Hong Kong, and beyond.

On the other hand, the disposals will inevitably have a negative effect on the revenue and contract sales of the Group as only two projects, in Xi’an and Dazhou respectively, remain in the portfolio. Understandably, during this transitional period, and until new investments are in place, the Group cannot maintain the same level of revenue and profit as in the corresponding period.

For the first half of 2016, the Group recorded a revenue of HK\$752.5 million, a decrease of 81.6% compared to HK\$4,100 million in the first half of 2015. The net profit was HK\$32.5 million, representing a decrease of 95.8% compared to HK\$767.8 million during the same period in 2015. Apart from the decrease in recognized revenue, the decrease in profit was also attributed to the treasury investment segment recording fair value losses of HK\$158.2 million and a realized gain on disposal of equity investment of HK\$5.4 million only as a result of the volatility in the equity market in Hong Kong during the period, against a total of HK\$520.3 million of realized gains and fair value gains in the corresponding period last year.

The profit attributable to shareholders for the period amounted to HK\$32.5 million (six months ended 30 June 2015: HK\$587.7 million), representing a decrease of 94.5% when compared with the same period of last year. The basic earnings per share for the period were HK1.26 cents (six months ended 30 June 2015: HK22.70 cents).

Recognized Revenue

During the six months ended 30 June 2016, the property sales revenue was HK\$594.6 million (RMB503.0 million) (six months ended 30 June 2015: HK\$3,858.6 million (RMB3,047.8 million)) against a total booked gross floor area (“GFA”) sales of 111,500 sqm (six months ended 30 June 2015: 458,600 sqm). The revenue from property sales and booked GFA represented a decrease of 84.6% and 75.7% respectively from those of the corresponding period of 2015. The Average Selling Price (“ASP”) was RMB4,510 per sqm (six months ended 30 June 2015: RMB6,650 per sqm), representing a decrease of 32.2% due to all delivered units being residential in nature which carries lower ASP and gross profit margin. The booked gross profit margin for the period was 16% (six months ended 30 June 2015: 25%).

The recognized revenue and booked area for the six months ended 30 June 2016 were contributed by the projects of Zhongyu Metropolis in Xi’an and Radiant Bay in Dazhou with a total completion area of 233,600 sqm during the period.

As at 30 June 2016, the unrecognized revenue was approximately RMB423.6 million, against a pre-sold area of 85,900 sqm. All of them are from projects which are completed or expected to be completed in the second half of 2016 and in 2017. The revenue can be recognized only when the relevant property unit has been completed, occupation permit issued and the finished product delivered to the purchaser.

Contract Sales

The contract sales was RMB275.2 million in the period (six months ended 30 June 2015: RMB2,797.6 million). A total of 55,100 sqm were pre-sold at an ASP of RMB5,000 per sqm, a decrease of 21.1% compared to that in the corresponding period in 2015 due to changes in the projects’ location and in the mix of product within the project. The decrease in contract sales was due to the disposal of projects in 2015 which substantially reduced the number of projects available for sale.

Land Bank

As at the report date, the Group’s land bank stood at 618,000 sqm GFA which are located in two cities, Xi’an and Dazhou in Western China. The average accommodation value was RMB700 per sqm.

Management Discussion and Analysis

Treasury Investment Business

The treasury investment segment recorded a profit of HK\$5.6 million (six months ended 30 June 2015: HK\$528.4 million). The dividends and interests earned from investments and loan receivables totalled HK\$152.4 million (six months ended 30 June 2015: HK\$11.8 million). The realized gains and unrealized losses on listed securities amounted to HK\$5.4 million and HK\$158.2 million respectively (six months ended 30 June 2015: realized and unrealized gains on listed securities amounted to HK\$217.7 million and HK\$302.6 million respectively).

Financial Position

The Group continues to maintain a high level of liquidity. At 30 June 2016, cash and cash equivalents balances held at major banks and financial institutions in Hong Kong totalled HK\$6.1 billion, compared to HK\$3.1 billion at 31 December 2015. The increase in cash and cash equivalents during the period was principally due to proceeds of approximately HK\$5.0 billion received from the disposal of projects. As at the report date, the Group has outstanding consideration receivables of approximately HK\$2.3 billion in aggregate.

At 30 June 2016, the Group had no gearing.

Trade and other payables stood at HK\$712 million at 30 June 2016 (31 December 2015: HK\$1,100 million). These include HK\$430.9 million (31 December 2015: HK\$742.0 million) of deposits received from presales of properties, and HK\$281.1 million (31 December 2015: HK\$358.0 million) of other provisions arising in the ordinary course of business.

The cash collection ratio for the property business was 91% during the period.

CORPORATE STRATEGY AND OUTLOOK

The China's housing market has been accompanied by strong growth in personal income. The rapid personal income growth helped support the steady participation by households in the housing market. Mortgage loans were more readily available to homebuyers. These are positive factors, and together with accelerated urbanization, enabled the PRC housing market to remain stable in the long term. Although China's economy is now in a process of transformation, future growth should be more sustainable.

The Group's total completion areas from its two projects in Xi'an and Dazhou in 2017 will be 168,000 sqm, out of which 26% of the residential areas have been pre-sold as at 31 July 2016.

The Group is currently actively looking for acquisition opportunities, and focuses on investing selectively in tier one cities in China, and mature cities globally. The Group has a rigorous internal appraisal process to assess the opportunities and risks of potential acquisitions. Through the management's extensive property business experience and the Group's financial strength, the Group should arrive at purchase decisions smartly, which will enhance the competitiveness of the Group and, in turn, drive growth. The cash position amounted to HK\$6.1 billion as at 30 June 2016, giving the Group the resources to secure potential investment opportunities, which may take the form of equity partnership, joint ventures or otherwise.

FINANCIAL REVIEW

Investments

The objectives of investment policy are to minimize risk while retaining liquidity, and to achieve a competitive rate of return.

We invested surplus cash in a diversified portfolio of listed equity securities, perpetual security and unlisted investment funds. At 30 June 2016, the portfolio of investments comprised of listed equity securities, perpetual security and unlisted investment funds with an aggregate carrying value of HK\$3,776.3 million (31 December 2015: HK\$4,245.6 million) which is analyzed in the table below:

| | 30 June 2016 HK\$'M | 31 December 2015 HK\$'M |
|--|------------------------------------|-------------------------------|
| Equity investments at fair value through profit or loss | | |
| Listed equity securities | 865.3 | 756.5 |
| Available-for-sale investments | | |
| Listed equity securities | 1,047.4 | 1,571.1 |
| Perpetual security | 1,317.5 | 1,305.0 |
| Unlisted investment funds | 546.1 | 613.0 |
| | 2,911.0 | 3,489.1 |
| Total | 3,776.3 | 4,245.6 |

The perpetual security in the principal amount of US\$170 million was issued by China Evergrande Group (formerly known as Evergrande Real Estate Group Limited), a leading PRC property developer listed on the main board of the Stock Exchange. The perpetual security has no fixed redemption date and carries an annual interest of 9%, providing not only a steady investment return to the Group but also the flexibility of realizing the perpetual security in cash from disposing of or transferring it to other investors at any time with the prior written consent of the issuer. In terms of performance, the Group recognized from its portfolio of investments during the period unrealized fair value losses of HK\$158.2 million (six months ended 30 June 2015: unrealized fair value gains of HK\$302.6 million) in the consolidated statement of profit or loss and HK\$693.3 million (six months ended 30 June 2015: unrealized fair value gains of HK\$173.7 million) in the consolidated statement of other comprehensive income. The realized gains on listed equity securities for the period was HK\$5.4 million (six months ended 30 June 2015: HK\$217.7 million), whereas the amount of dividends and interest income from investments for the period was HK\$142.5 million (six months ended 30 June 2015: HK\$11.8 million). In terms of future prospects of the Group's investments, the performance of the listed equity securities and unlisted investment funds held is to a large extent subject to the corresponding performances of the relevant financial markets which are liable to change rapidly and unpredictably. As to the perpetual security held, the Group will continue to enjoy a steady annual investment return until its disposal, transfer or redemption by the issuer.

The Group will continuously adopt a prudent and cautious investment strategy and will from time to time assess the performance of its portfolio of investments and make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favourable returns for its shareholders.

Liquidity and Financial Resources

The Group maintained a sound financial and cash position. The Group has no borrowings as at 30 June 2016 (31 December 2015: HK\$800 million).

As at 30 June 2016, the Group's cash and cash equivalents (including pledged and restricted deposits) amounted to HK\$6.1 billion (31 December 2015: HK\$3.1 billion). Of the Group's cash and cash equivalents (including pledged and restricted deposits), 8.3% were denominated in RMB and 91.7% were denominated in US dollars and Hong Kong dollars.

The owners' equity was HK\$13.3 billion (31 December 2015: HK\$14.1 billion) and the net assets value per share was HK\$5.14 (31 December 2015: HK\$5.46).

Contingent Liabilities/Financial Guarantees

At 30 June 2016, the Group had contingent liabilities/financial guarantee in respect of guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK\$820.6 million (31 December 2015: HK\$695.0 million).

Management Discussion and Analysis

Pledge of Assets

At 31 December 2015, cash and bank balances and time deposits in the aggregate amount of HK\$303.5 million has been pledged as security for general banking facilities granted to the Group. The subject security was released upon the full repayment of all bank borrowings as at 30 June 2016.

Exchange Risks

The revenue from the Group's property business in the PRC is denominated in RMB, and most of its expenses are also denominated in RMB. As a result, the property business is not exposed to material foreign exchange risk. A portion of the Group's outstanding consideration receivables from the disposal of subsidiaries in 2015 is denominated in RMB. To the extent this portion of consideration receivables may be converted into Hong Kong or other currencies, there is exposure to fluctuations in foreign exchange rates. As at 30 June 2016, the Group has not entered into any currency swaps hedge of RMB against Hong Kong dollars.

EMPLOYEES

As at 30 June 2016, the Group had a total of 284 employees in Hong Kong and China and incurred employee costs in the amount of approximately HK\$48.6 million for the period under review. The Group remunerates its staff based on their merit, qualifications, performance, competence and the prevailing market wage level. In order to attract, retain and motivate employees, an incentive bonus scheme has been established to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. For the six months ended 30 June 2016 and 30 June 2015, no equity-settled share option expense was charged off to the consolidated statement of profit or loss. Other benefits include contributions of mandatory provident funds, medical insurance, on-the-job training and external seminars organized by professional bodies.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2016, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") required to be recorded in the register kept by the Company under Section 352 of the SFO, or 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 Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Interests in shares of the Company (long positions)

| Name of directors | Interests in shares | | Interests in underlying shares pursuant to share options granted by the Company ³ | Aggregate interests | Approximate percentage ⁴ |
|-------------------|---------------------|----------------------------------|--|---------------------|-------------------------------------|
| | Personal interests | Corporate interests | | | |
| Cheung Chung Kiu | – | 1,331,205,790 ^{1&2} | – | 1,331,205,790 | 51.43 |
| Lam How Mun Peter | 324,502 | – | 43,039,000 | 43,363,502 | 1.68 |
| Tsang Wai Choi | 3,394,242 | – | – | 3,394,242 | 0.13 |
| Leung Chun Cheong | 666,948 | – | 1,500,000 | 2,166,948 | 0.08 |
| Leung Wai Fai | – | – | 3,000,000 | 3,000,000 | 0.12 |

Notes:

- 1,070,810,231 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung Chung Kiu ("Mr. Cheung"). Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Thrivetrade.
- 260,395,559 of such shares were held through Regulator Holdings Limited ("Regulator"), a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang-BVI"), which is in turn a direct wholly-owned subsidiary of Yugang International Limited ("Yugang"). Yugang was owned by Chongqing Industrial Limited ("CIL"), Timmex Investment Limited ("Timmex") and Mr. Cheung as to approximately 44.06% in aggregate. CIL was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited ("Peking Palace"), Miraculous Services Limited ("Miraculous Services") and Prize Winner Limited ("Prize Winner") respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited ("Palin") as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Accordingly, Mr. Cheung was also deemed to be interested in the same number of shares held through Regulator.
- Details of the directors' interests in the underlying shares of the Company pursuant to share options granted by the Company are set out in the section headed "Share Options" below.
- Approximate percentage refers to the aggregate interests of the director in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests

SHARE OPTIONS

The Company adopted a share option scheme on 29 April 2005 (“2005 Scheme”), which expired on 29 April 2015. Details of the 2005 Scheme were disclosed in the Company’s circular dated 13 April 2005 and are set out in note 15 to the condensed consolidated financial statements. Movements of the 2005 Scheme during the period from 1 January 2016 to 30 June 2016 were set out below:

| Name or category of participants | Number of share options | | | | | At 30 June 2016 | Date of grant ¹ (dd-mm-yyyy) | Exercise period (dd-mm-yyyy) | Exercise price ² HK\$ per share | Closing price immediately before date of grant HK\$ per share |
|----------------------------------|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|-----------------|--|---------------------------------|--|---|
| | At 1 January 2016 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | | | | | |
| Directors | | | | | | | | | | |
| Lam How Mun Peter | 17,500,000 | - | - | - | - | 17,500,000 | 07-05-2009 | 07-05-2009 to 06-05-2019 | 3.27 | 3.47 |
| | 21,539,000 | - | - | - | - | 21,539,000 | 03-09-2010 | 03-09-2010 to 02-09-2020 | 3.31 | 3.19 |
| | 4,000,000 | - | - | - | - | 4,000,000 | 03-09-2010 | 01-01-2011 to 02-09-2020 | 3.31 | 3.19 |
| | 43,039,000 | - | - | - | - | 43,039,000 | | | | |
| Leung Chun Cheong | 1,500,000 | - | - | - | - | 1,500,000 | 03-09-2010 | 03-09-2010 to 02-09-2020 | 3.31 | 3.19 |
| Leung Wai Fai | 3,000,000 | - | - | - | - | 3,000,000 | 03-09-2010 | 03-09-2010 to 02-09-2020 | 3.31 | 3.19 |
| | 47,539,000 | - | - | - | - | 47,539,000 | | | | |
| Employees | | | | | | | | | | |
| | 10,100,000 | - | - | - | - | 10,100,000 | 03-09-2010 | 03-09-2010 to 02-09-2020 | 3.31 | 3.19 |
| | 800,000 | - | - | - | - | 800,000 | 03-09-2010 | 01-01-2011 to 02-09-2020 | 3.31 | 3.19 |
| In aggregate | 10,900,000 | - | - | - | - | 10,900,000 | | | | |
| Others | | | | | | | | | | |
| In aggregate | 4,800,000 | - | - | - | - | 4,800,000 | 03-09-2010 | 03-09-2010 to 02-09-2020 | 3.31 | 3.19 |
| Total | 63,239,000 | - | - | - | - | 63,239,000 | | | | |

Notes:

1. Certain share options granted are subject to a vesting period beginning from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in case of any rights issues or bonus issues, or any other changes in the Company’s share capital.

On 21 May 2015, the Company adopted a share option scheme (“2015 Scheme”), details of which were disclosed in the Company’s circular dated 16 April 2015. No share options have been granted under the 2015 Scheme since its adoption and up to 30 June 2016.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2016, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholders | Capacity in which interests are held | Number of shares held | Approximate percentage ³ |
|----------------------|--------------------------------------|----------------------------|-------------------------------------|
| Thrivetrade | Beneficial owner | 1,070,810,231 ¹ | 41.37 |
| Regulator | Beneficial owner | 260,395,559 ² | 10.06 |
| Yugang-BVI | Interest of controlled corporation | 260,395,559 ² | 10.06 |
| Yugang | Interest of controlled corporation | 260,395,559 ² | 10.06 |
| CIL | Interest of controlled corporation | 260,395,559 ² | 10.06 |
| Palin | Interest of controlled corporation | 260,395,559 ² | 10.06 |

Notes:

1. These shares were included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph “Interests in shares of the Company (long positions)” of the section headed “Directors’ and Chief Executive’s Interests and Short Positions” above.
2. The interests held by Regulator, Yugang-BVI, Yugang, CIL and Palin respectively as shown above refer to interests in the same block of shares. The said shares were also included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph “Interests in shares of the Company (long positions)” of the section headed “Directors’ and Chief Executive’s Interests and Short Positions” above.
3. Approximate percentage refers to the aggregate interest which the shareholder held or had short positions in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2016.
4. All of the interests disclosed above represent long positions.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

UPDATE ON DIRECTORS' INFORMATION

Mr. Lam Kin Fung Jeffrey was appointed on 25 April 2016 as a director of The Hong Kong Mortgage Corporation Limited.

Dr. Wong Lung Tak Patrick was appointed on 16 June 2016 as an independent non-executive director of Li Bao Ge Group Limited, the shares of which have been listed on the Stock Exchange commencing from 30 June 2016.

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

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

1. On 27 June 2013, the Company accepted the offer in a facility letter dated 25 June 2013, pursuant to which a 3-year term loan facility for an amount of HK\$500,000,000 or its equivalent is made available for drawdown by the Company. Under the facility letter, it is (among other matters) an event of default if Mr. Cheung, save for certain exceptions, does not or ceases to hold (directly or indirectly) 35% or more of the beneficial shareholding interest, carrying 35% or more of the voting rights, in the issued share capital of the Company. Upon occurrence of an event of default during the committed period from the date of acceptance of the facility letter to the date falling 2 years after the date of such acceptance (whether or not it is continuing), the lender may at any time by notice to the Company declare that the lender's obligation to make the facility available be terminated, whereupon the amount available under the facility shall be reduced to zero forthwith; and/or that if any advance is outstanding, each advance and all interest accrued and all other sums payable under the facility letter be immediately due and payable whereupon the same shall become so due and payable. On or at any time after the making of the aforesaid declaration, the lender shall be entitled, to the exclusion of the Company, to select the duration of interest period(s) until the facility is repaid in full. During the period, the outstanding loan amount under the facility letter was repaid in full.
2. On 13 August 2013, the Company accepted the offer in a facility letter dated 23 July 2013, pursuant to which a 3-year term loan facility for an amount of HK\$500,000,000 or its equivalent in USD is made available for drawdown within 6 months from the acceptance date of the facility letter. Under the facility letter, it is (among other matters) an event of default if Mr. Cheung (i) save for certain exceptions, does not or ceases to hold (directly or indirectly) 35% or more of the beneficial shareholding interest, carrying 35% or more of the voting rights, in the issued capital of the Company; (ii) directly or indirectly, is not or ceases to be the single largest shareholder of the Company; and (iii) does not or ceases to have management control of the Company. After the occurrence of an event of default which is continuing, the lender may on and at any time by notice in writing to the Company declare that the facility has become immediately due and payable, whereupon the facility shall become immediately due and payable and any undrawn balance of the facility shall automatically be cancelled and no longer be available to the Company. During the period, the outstanding loan amount under the facility letter was repaid in full.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016.

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation to the Group's management and staff for their diligence, loyalty and dedication. We are also grateful to our shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

By order of the Board

Lam How Mun Peter

Deputy Chairman & Managing Director

Hong Kong, 25 August 2016

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| REVENUE | 3, 4 | 752,463 | 4,100,009 |
| Cost of sales | | (498,722) | (2,906,878) |
| Gross profit | | 253,741 | 1,193,131 |
| Other income and gains | 4 | 82,995 | 441,748 |
| Selling and distribution expenses | | (10,747) | (161,774) |
| Administrative expenses | | (96,399) | (212,134) |
| Other expenses | | (158,235) | (7,043) |
| Finance costs | | (9,193) | (76,454) |
| Share of profits and losses of: | | | |
| Joint ventures | | (15,817) | (23,228) |
| Associates | | 478 | 18,186 |
| PROFIT BEFORE TAX | 5 | 46,823 | 1,172,432 |
| Income tax expense | 6 | (14,328) | (404,674) |
| PROFIT FOR THE PERIOD | | 32,495 | 767,758 |
| Attributable to: | | | |
| Owners of the parent | | 32,495 | 587,650 |
| Non-controlling interests | | – | 180,108 |
| | | 32,495 | 767,758 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic and diluted | | HK1.26 cents | HK22.70 cents |

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| PROFIT FOR THE PERIOD | 32,495 | 767,758 |
| OTHER COMPREHENSIVE INCOME | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | |
| Available-for-sale investments: | | |
| Changes in fair value | (693,289) | 173,722 |
| Deferred tax | – | (16,689) |
| | (693,289) | 157,033 |
| Exchange fluctuation reserve: | | |
| Exchange differences on translation of foreign operations | (10,444) | 1,491 |
| Share of other comprehensive income of joint ventures | (4,429) | 122 |
| Share of other comprehensive income of associates | (1,060) | 566 |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | (709,222) | 159,212 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | (709,222) | 159,212 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (676,727) | 926,970 |
| Attributable to: | | |
| Owners of the parent | (676,727) | 746,004 |
| Non-controlling interests | – | 180,966 |
| | (676,727) | 926,970 |

Consolidated Statement of Financial Position

30 June 2016

| | Notes | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|---|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Property and equipment | 9 | 21,522 | 21,977 |
| Golf club membership | | 10,540 | 10,540 |
| Investments in joint ventures | | 111,403 | 125,992 |
| Investments in associates | | 213,526 | 283,550 |
| Available-for-sale investments | | 2,910,998 | 3,489,172 |
| Properties under development | 9 | 392,957 | 671,340 |
| Consideration receivable on disposal of subsidiaries | | 493,859 | 1,140,382 |
| Deferred tax assets | | – | 12,440 |
| Total non-current assets | | 4,154,805 | 5,755,393 |
| CURRENT ASSETS | | | |
| Properties under development | 9 | 468,680 | 997,117 |
| Completed properties held for sale | | 833,301 | 300,935 |
| Prepayments, deposits and other receivables | | 2,606,123 | 6,113,444 |
| Equity investments at fair value through profit or loss | | 865,276 | 756,456 |
| Prepaid income tax and land appreciation tax | | 29,685 | 15,927 |
| Deposits with brokerage companies | | 32,146 | 3,916 |
| Pledged deposits | | – | 303,522 |
| Restricted bank balances | | 62,448 | 65,009 |
| Cash and cash equivalents | | 6,023,038 | 2,774,285 |
| Total current assets | | 10,920,697 | 11,330,611 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | 243,589 | 269,441 |
| Other payables and accruals | | 468,411 | 830,527 |
| Interest-bearing bank borrowings | 11 | – | 450,000 |
| Tax payable | | 1,033,096 | 1,033,887 |
| Total current liabilities | | 1,745,096 | 2,583,855 |
| NET CURRENT ASSETS | | 9,175,601 | 8,746,756 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 13,330,406 | 14,502,149 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 11 | – | 350,000 |
| Deferred tax liabilities | | 18,283 | 20,947 |
| Total non-current liabilities | | 18,283 | 370,947 |
| Net assets | | 13,312,123 | 14,131,202 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 12 | 258,822 | 258,822 |
| Reserves | | 13,053,301 | 13,872,380 |
| Total equity | | 13,312,123 | 14,131,202 |

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

| | Attributable to owners of the parent | | | | | | | | | |
|---|--------------------------------------|-------------------------|------------------------------|---|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| | Issued capital | Share premium account | Exchange fluctuation reserve | Available-for-sale investment revaluation reserve | Capital reserve** | Retained profits | Share option reserve | Total | Non-controlling interests | Total equity |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| At 1 January 2016 | 258,822 | 9,524,823* | 2,426* | 352,272* | 2,166* | 3,825,421* | 165,272* | 14,131,202 | - | 14,131,202 |
| Profit for the period | - | - | - | - | - | 32,495 | - | 32,495 | - | 32,495 |
| Other comprehensive income for the period: | | | | | | | | | | |
| Changes in fair value of available-for-sale investments | - | - | - | (693,289) | - | - | - | (693,289) | - | (693,289) |
| Share of other comprehensive income of joint ventures | - | - | (4,429) | - | - | - | - | (4,429) | - | (4,429) |
| Share of other comprehensive income of associates | - | - | (1,060) | - | - | - | - | (1,060) | - | (1,060) |
| Exchange differences on translation of foreign operations | - | - | (10,444) | - | - | - | - | (10,444) | - | (10,444) |
| Total comprehensive income for the period | - | - | (15,933) | (693,289) | - | 32,495 | - | (676,727) | - | (676,727) |
| Final 2015 dividend approved | - | - | - | - | - | (142,352) | - | (142,352) | - | (142,352) |
| At 30 June 2016 | 258,822 | 9,524,823* | (13,507)* | (341,017)* | 2,166* | 3,715,564* | 165,272* | 13,312,123 | - | 13,312,123 |
| At 1 January 2015 | 258,822 | 9,524,823 | 2,107,508 | 152,475 | - | 2,588,167 | 165,272 | 14,797,067 | 1,747,058 | 16,544,125 |
| Profit for the period | - | - | - | - | - | 587,650 | - | 587,650 | 180,108 | 767,758 |
| Other comprehensive income for the period: | | | | | | | | | | |
| Changes in fair value of available-for-sale investments, net of tax | - | - | - | 157,033 | - | - | - | 157,033 | - | 157,033 |
| Share of other comprehensive income of joint ventures | - | - | 122 | - | - | - | - | 122 | - | 122 |
| Share of other comprehensive income of associates | - | - | 566 | - | - | - | - | 566 | - | 566 |
| Exchange differences on translation of foreign operations | - | - | 633 | - | - | - | - | 633 | 858 | 1,491 |
| Total comprehensive income for the period | - | - | 1,321 | 157,033 | - | 587,650 | - | 746,004 | 180,966 | 926,970 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | (2,728) | (2,728) |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | (194,912) | (194,912) |
| Final 2014 dividend approved | - | - | - | - | - | (129,411) | - | (129,411) | - | (129,411) |
| At 30 June 2015 | 258,822 | 9,524,823 | 2,108,829 | 309,508 | - | 3,046,406 | 165,272 | 15,413,660 | 1,730,384 | 17,144,044 |

* These reserve accounts comprise the consolidated reserves of HK\$13,053,301,000 (31 December 2015: HK\$13,872,380,000) in the consolidated statement of financial position.

** The capital reserve represents the Group's share of capital reserve of its associate arising from its capital injection.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from/(used in) operations | | (1,071,974) | 704,128 |
| Tax paid, net | | (18,864) | (482,677) |
| Interest paid | | (14,924) | (332,850) |
| Net cash flows used in operating activities | | (1,105,762) | (111,399) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of subsidiaries that are not a business | | – | (17,747) |
| Loans to joint ventures | | (5,657) | (40,905) |
| Loan to a non-controlling shareholder | | – | (46,395) |
| Payment of land premium and related transaction costs | | – | (22,426) |
| Proceeds from disposal of subsidiaries in prior year | | 5,034,808 | – |
| Purchases of available-for-sale investments | | (115,115) | (200,000) |
| Decrease in pledged deposits | | 305,311 | 888,260 |
| Deposits received in respect of disposal of subsidiaries | | – | 686,282 |
| Other cash flows arising from investing activities | | 83,009 | 158,844 |
| Net cash flows from investing activities | | 5,302,356 | 1,405,913 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | 7 | (142,352) | (129,411) |
| Dividends paid to non-controlling shareholders | | – | (194,912) |
| Increase in advances from non-controlling shareholders | | – | 90 |
| Repayment of bank and other borrowings, net | | (800,000) | (2,558,522) |
| Net cash flows used in financing activities | | (942,352) | (2,882,755) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 3,254,242 | (1,588,241) |
| Cash and cash equivalents at beginning of period | | 2,774,285 | 6,280,933 |
| Effect of foreign exchange rate changes, net | | (5,489) | 1,669 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 6,023,038 | 4,694,361 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 5,824,538 | 4,140,931 |
| Non-pledged time deposits with original maturity of less than three months when acquired | | 198,500 | 209,093 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | | 6,023,038 | 4,350,024 |
| Cash and cash equivalents attributable to a disposal group classified as held for sale | | – | 344,337 |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | | 6,023,038 | 4,694,361 |

1. BASIS OF PREPARATION

C C Land Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 3 to the condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group 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 Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and revised HKFRSs as disclosed in note 2 to the condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities: Applying the Consolidation Exception</i> |
| Amendments to HKFRS 11 | <i>Accounting for Acquisitions of Interests in Joint Operations</i> |
| HKFRS 14 | <i>Regulatory Deferral Accounts</i> |
| Amendments to HKAS 1 | <i>Disclosure Initiative</i> |
| Amendments to HKAS 16 and HKAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| Amendments to HKAS 16 and HKAS 41 | <i>Agriculture: Bearer Plants</i> |
| Amendments to HKAS 27 (2011) | <i>Equity Method in Separate Financial Statements</i> |
| <i>Annual Improvements 2012-2014 Cycle</i> | Amendments to a number of HKFRSs |

The adoption of these HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

| | | |
|---|---|--|
| Property development and investment segment | — | Development and investment of properties |
| Treasury investment segment | — | Investments in securities and notes receivables, and provision of financial services |

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit before tax except that finance costs and head office and corporate income and expenses are excluded from such measurement.

Notes to Condensed Consolidated Financial Statements

30 June 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

Information regarding these reportable segments is presented below.

Reportable segment information

For the six months ended 30 June (Unaudited)

| | Property development and investment | | Treasury investment | | Total | |
|------------------------------------|--|------------------|---------------------|------------------|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
| Segment revenue | | | | | | |
| Sales to external customers | 594,621 | 3,870,525 | 157,842 | 229,484 | 752,463 | 4,100,009 |
| Segment results | 73,843 | 734,729 | (712) | 528,408 | 73,131 | 1,263,137 |
| Corporate and unallocated income | | | | | - | 319 |
| Corporate and unallocated expenses | | | | | (17,115) | (14,570) |
| Finance costs | | | | | (9,193) | (76,454) |
| Profit before tax | | | | | 46,823 | 1,172,432 |

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Revenue | | |
| Sale of properties | 594,621 | 3,858,589 |
| Gross rental income | - | 11,936 |
| Gains on disposal of equity investments at fair value through profit or loss, net | 5,449 | 217,726 |
| Dividend income from listed equity investments | 81,931 | 11,711 |
| Interest income from a perpetual security | 60,605 | - |
| Interest income from loan receivables and debt investments | 9,857 | 47 |
| | 752,463 | 4,100,009 |
| Other income and gains | | |
| Bank interest income | 13,346 | 52,696 |
| Other interest income | 27,463 | 51,298 |
| Exchange gains, net | 38,765 | - |
| Compensation for termination of a joint venture project | - | 22,797 |
| Gain on disposal of investment properties | - | 5,525 |
| Fair value gains on equity investments at fair value through profit or loss, net | - | 302,559 |
| Others | 3,421 | 6,873 |
| | 82,995 | 441,748 |

Notes to Condensed Consolidated Financial Statements

30 June 2016

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting) the following:

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of properties sold | 498,722 | 2,904,929 |
| Depreciation | 2,206 | 14,454 |
| Less: Amount capitalised | (226) | (1,339) |
| | 1,980 | 13,115 |
| Fair value losses/(gains) on equity investments at fair value through profit or loss, net | 158,234 | (302,559) |
| Amortisation of prepaid land lease payments | – | 1,280 |
| Interest on bank and other borrowings | 14,924 | 371,558 |
| Less: Interest capitalised | (5,731) | (295,104) |
| | 9,193 | 76,454 |
| Employee benefit expense (including directors' remuneration): | | |
| Wages and salaries | 46,550 | 172,245 |
| Pension scheme contributions | 2,086 | 6,331 |
| Less: Amount capitalised | (3,833) | (64,230) |
| | 44,803 | 114,346 |

6. INCOME TAX

No Hong Kong profits tax has been provided as the Group does not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current charge for the period | | |
| Mainland China | 18,453 | 193,349 |
| Underprovision in prior periods | | |
| Mainland China | 354 | 298 |
| Land appreciation tax charge/(credit) for the period | (14,492) | 234,093 |
| Deferred tax | 10,013 | (23,066) |
| Total tax charge for the period | 14,328 | 404,674 |

7. DIVIDENDS

During the six months ended 30 June 2016, the Company declared a final dividend of HK\$0.055 per ordinary share amounting to HK\$142,352,000 for the year ended 31 December 2015 which was paid on 8 June 2016.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

During the six months ended 30 June 2015, the Company declared a final dividend of HK\$0.05 per ordinary share amounting to HK\$129,411,000 for the year ended 31 December 2014 which was paid on 10 June 2015.

Notes to Condensed Consolidated Financial Statements

30 June 2016

12. SHARE CAPITAL

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|--|--|--|
| Authorised: | | |
| 5,000,000,000 (31 December 2015: 5,000,000,000) ordinary shares of HK\$0.10 (31 December 2015: HK\$0.10) each | 500,000 | 500,000 |
| Issued and fully paid: | | |
| 2,588,223,112 (31 December 2015: 2,588,223,112) ordinary shares of HK\$0.10 (31 December 2015: HK\$0.10) each | 258,822 | 258,822 |

13. COMMITMENTS

The Group had the following commitments in respect of property development expenditures at the end of the reporting period:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|----------------------------------|--|--|
| Contracted, but not provided for | 267,015 | 452,545 |

14. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|--|--|--|
| Guarantees in respect of mortgage facilities provided for certain customers | 820,636 | 694,957 |

The Group have arranged bank financing for certain purchasers of their property units and provided guarantees to secure the obligations of these purchasers for repayments. The guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificates which will generally be available within one year upon the completion of guarantee registration; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks and the banks are entitled to take over the legal titles and possession of the related properties. The guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the fair value of the guarantees is not significant and in the case of default on payments, the net realisable value of the related properties will exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision has been made in the financial statements for the guarantees.

Notes to Condensed Consolidated Financial Statements

30 June 2016

15. SHARE-BASED PAYMENTS

The following share options were outstanding during the period:

| Date of grant of share options * | Number of share options | | | | | | Exercise period of share options | Exercise price of share options HK\$ per share | Closing price of the Company's shares** HK\$ per share |
|----------------------------------|-------------------------|---------------------------|----------------------------|-----------------------------|--------------------------|-----------------|----------------------------------|--|--|
| | At 1 January 2016 | Granted during the period | Exercise during the period | Cancelled during the period | Lapsed during the period | At 30 June 2016 | | | |
| 07-05-2009 | 17,500,000 | - | - | - | - | 17,500,000 | 07-05-2009 to 06-05-2019 | 3.27 | 3.47 |
| 03-09-2010 | 40,939,000 | - | - | - | - | 40,939,000 | 03-09-2010 to 02-09-2020 | 3.31 | 3.19 |
| 03-09-2010 | 4,800,000 | - | - | - | - | 4,800,000 | 01-01-2011 to 02-09-2020 | 3.31 | 3.19 |
| | 63,239,000 | - | - | - | - | 63,239,000 | | | |

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

No share option expense was recognised by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

16. PLEDGE OF ASSETS

At 31 December 2015, cash and bank balances and time deposits in the aggregate amount of HK\$303,522,000 were pledged as security for general banking facilities granted to the Group.

17. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party:

During the six months ended 30 June 2015, certain of the Group's buildings and prepaid land lease payments with an aggregate carrying amount of HK\$11,361,000 were provided to a family member of a director for the operation of a school free of charge. Those buildings and prepaid land lease payments had been disposed of in the disposal of Starthigh International Limited during the year ended 31 December 2015.

(b) Outstanding balances with related parties:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|-------------------------|--|--|
| Loans to joint ventures | 23,610 | 17,953 |
| Due from an associate | 4,370 | 16,381 |
| Due to an associate | 112,323 | 59,261 |

(c) Compensation of key management personnel of the Group:

| | Six months ended 30 June 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
|---|---|---------------------------------|
| Short term employee benefits | 11,030 | 8,820 |
| Post-employment benefits | 513 | 426 |
| Total compensation paid to key management personnel | 11,543 | 9,246 |

18. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, deposits with brokerage companies, trade and bills payables, financial assets included in loan receivables, prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to joint ventures and associates and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the director and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used to estimate the fair values are summarised below.

The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2015 was assessed to be insignificant.

The fair values of listed available-for-sale equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments are derived from the net asset value per share of the investments. The fair value of perpetual security is valued by an independent professionally qualified valuer. The directors believe that the estimated fair values resulting from the valuation, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2016 (Unaudited)

| | Fair value measurement using | | | Total HK\$'000 |
|--|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Available-for-sale investments: | | | | |
| Equity investments | 1,593,498 | – | – | 1,593,498 |
| Debt investments | – | 1,317,500 | – | 1,317,500 |
| Equity investments at fair value through profit or loss | 865,276 | – | – | 865,276 |
| | 2,458,774 | 1,317,500 | – | 3,776,274 |

As at 31 December 2015 (Audited)

| | Fair value measurement using | | | Total HK\$'000 |
|--|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Available-for-sale investments: | | | | |
| Equity investments | 2,184,123 | – | – | 2,184,123 |
| Debt investments | – | 1,305,049 | – | 1,305,049 |
| Equity investments at fair value through profit or loss | 756,456 | – | – | 756,456 |
| | 2,940,579 | 1,305,049 | – | 4,245,628 |

Notes to Condensed Consolidated Financial Statements

30 June 2016

18. FAIR VALUE MEASUREMENT *(continued)*

Fair value hierarchy *(continued)*

The movements in fair value measurements in Level 3 during the period are as follows:

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Available-for-sale investments: | | |
| At 1 January | – | 307,117 |
| Total gains recognised in other comprehensive income | – | 66,857 |
| At 30 June | – | 373,974 |

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2015: Nil).

19. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 25 August 2016.