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The 13 Holdings Limited

十三集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 577)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

FINANCIAL HIGHLIGHTS

• Revenue	HK\$3,058 million	–30%
• Gross profit	HK\$113 million	+1%
• Loss attributable to owners of the Company	HK\$28 million	–81%
• Loss per share		
– Basic	HK3.1 cents	–81%
– Diluted	HK3.1 cents	–81%
• NAV per share	HK\$6.18	0%

RESULTS

The board of directors (the “Board”) of The 13 Holdings Limited (“The 13” or the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016, together with the comparative figures for the corresponding period in 2015. The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the six months ended 30 September 2016 and the consolidated statement of financial position of the Group as at 30 September 2016, all of which are unaudited and condensed, along with selected explanatory notes, have been reviewed by the Company’s Audit Committee and external auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
	Notes	HK\$’000	HK\$’000
Revenue	3	3,058,022	4,352,504
Cost of sales		<u>(2,945,458)</u>	<u>(4,240,155)</u>
Gross profit		112,564	112,349
Other income		2,641	5,453
Administrative and other expenses		(142,140)	(268,883)
Finance costs		(4,211)	(4,537)
Share of results of associates		(551)	(439)
Share of results of joint ventures		<u>3,826</u>	<u>1,298</u>
Loss before tax		(27,871)	(154,759)
Income tax expense	4	<u>(4,693)</u>	<u>(13,206)</u>
Loss for the period	5	<u><u>(32,564)</u></u>	<u><u>(167,965)</u></u>
Loss for the period attributable to:			
Owners of the Company		(28,313)	(148,018)
Non-controlling interests		<u>(4,251)</u>	<u>(19,947)</u>
		<u><u>(32,564)</u></u>	<u><u>(167,965)</u></u>
Loss per share	7		
Basic (HK cents)		<u><u>(3.1)</u></u>	<u><u>(16.3)</u></u>
Diluted (HK cents)		<u><u>(3.1)</u></u>	<u><u>(16.3)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(32,564)</u>	<u>(167,965)</u>
Other comprehensive expense for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	(3,212)	(4,098)
Share of translation reserve of an associate and joint ventures	<u>(2,460)</u>	<u>(2,012)</u>
	<u>(5,672)</u>	<u>(6,110)</u>
Total comprehensive expense for the period	<u>(38,236)</u>	<u>(174,075)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(31,248)	(151,134)
Non-controlling interests	<u>(6,988)</u>	<u>(22,941)</u>
	<u>(38,236)</u>	<u>(174,075)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	Unaudited 30.9.2016 HK\$'000	Audited 31.3.2016 HK\$'000
NON-CURRENT ASSETS			
Hotel under development		7,204,253	6,139,370
Property, plant and equipment		155,103	176,745
Deposits paid for acquisition of property, plant and equipment		312,601	126,654
Deposits for investments		110,000	110,000
Prepaid land lease payments		1,560,007	1,612,303
Goodwill		61,646	61,646
Other intangible assets		7,627	7,627
Interests in associates		22,385	22,867
Interests in joint ventures		89,097	87,800
		9,522,719	8,345,012
CURRENT ASSETS			
Prepaid land lease payments		104,591	104,591
Amounts due from customers for contract works		946,458	851,251
Trade and other debtors, deposits and prepayments	8	1,931,699	1,752,666
Amounts due from associates		16,784	18,700
Amounts due from joint ventures		271,756	321,926
Amounts due from joint operations/ other partners of joint operations		118,590	118,572
Amounts due from subsidiaries of a shareholder		25,568	26,564
Other loans receivable		39,581	48,000
Pledged bank deposits		16,599	17,065
Short term bank deposits		94,201	458,388
Bank balances and cash		363,876	483,859
		3,929,703	4,201,582

	<i>Notes</i>	Unaudited 30.9.2016 HK\$'000	Audited 31.3.2016 HK\$'000
CURRENT LIABILITIES			
Amounts due to customers for contract works		1,312,945	1,169,067
Trade and other creditors and accrued expenses	9	1,799,188	1,629,908
Amounts due to associates		10,662	10,970
Amount due to a joint venture		75	49
Amounts due to joint operations/ other partners of joint operations		114,960	115,948
Amounts due to subsidiaries of a shareholder		1,604	441
Loan from a subsidiary of a shareholder		30,000	30,000
Taxation payable		25,755	33,134
Bank borrowings – due within one year		580,870	459,154
		<hr/> 3,876,059 <hr/>	<hr/> 3,448,671 <hr/>
NET CURRENT ASSETS		<hr/> 53,644 <hr/>	<hr/> 752,911 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 9,576,363 <hr/>	<hr/> 9,097,923 <hr/>

	Unaudited 30.9.2016 <i>HK\$'000</i>	Audited 31.3.2016 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	3,017,306	2,561,693
Convertible bonds	531,271	485,835
	<u>3,548,577</u>	<u>3,047,528</u>
	<u>6,027,786</u>	<u>6,050,395</u>
CAPITAL AND RESERVES		
Share capital	1,841,734	1,841,734
Reserves	3,851,761	3,867,648
	<u>5,693,495</u>	<u>5,709,382</u>
Equity attributable to owners of the Company		
Non-controlling interests		
Share option reserve of a subsidiary	37,103	35,953
Share of net assets of subsidiaries	297,188	305,060
	<u>334,291</u>	<u>341,013</u>
TOTAL EQUITY	<u>6,027,786</u>	<u>6,050,395</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards (“HKAS(s)”) and Hong Kong Financial Reporting Standards (“HKFRS(s)”) (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above revised HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group is organised into the following four reportable and operating segments:

Management contracting	– building construction and civil engineering
Property development management	– development management, project management and facilities and asset management services
Property investment	– investment in properties through investment in a joint venture
Hotel development	– hotel operation with ancillary facilities

The Group had invested in an operating segment of the hotel operation in Macau with provision of ancillary facilities which are under development. The remaining segments are held under a major subsidiary of the Group, Paul Y. Engineering Group Limited (“PYE”).

The following is an analysis of the Group’s revenue and results by reportable and operating segments for the period under review:

For the six months ended 30 September 2016

	Management contracting <i>HK\$'000</i>	Property development management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	PYE total <i>HK\$'000</i>	Hotel development <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE								
External sales	3,056,212	1,810	-	3,058,022	-	3,058,022	-	3,058,022
Inter-segment sales	688,313	-	-	688,313	-	688,313	(688,313)	-
Segment revenue	<u>3,744,525</u>	<u>1,810</u>	<u>-</u>	<u>3,746,335</u>	<u>-</u>	<u>3,746,335</u>	<u>(688,313)</u>	<u>3,058,022</u>
Segment profit (loss)	<u>64,094</u>	<u>(1,168)</u>	<u>3,822</u>	<u>66,748</u>	<u>-</u>	<u>66,748</u>	<u>(29,805)</u>	<u>36,943</u>
Corporate income								2,641
Central administrative costs								(63,244)
Finance costs								(4,211)
Loss before tax								<u>(27,871)</u>

For the six months ended 30 September 2015

	Management contracting <i>HK\$'000</i>	Property development management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	PYE total <i>HK\$'000</i>	Hotel development <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE								
External sales	4,346,001	6,503	-	4,352,504	-	4,352,504	-	4,352,504
Inter-segment sales	1,619,918	800	-	1,620,718	-	1,620,718	(1,620,718)	-
Segment revenue	<u>5,965,919</u>	<u>7,303</u>	<u>-</u>	<u>5,973,222</u>	<u>-</u>	<u>5,973,222</u>	<u>(1,620,718)</u>	<u>4,352,504</u>
Segment profit (loss)	<u>80,855</u>	<u>(121)</u>	<u>867</u>	<u>81,601</u>	<u>(100,000)</u>	<u>(18,399)</u>	<u>(69,094)</u>	<u>(87,493)</u>
Corporate income								5,453
Central administrative costs								(68,182)
Finance costs								(4,537)
Loss before tax								<u>(154,759)</u>

Inter-segment sales are charged at prevailing market rates or at terms determined and agreed by both parties, where no market price was available.

Segment profit (loss) represents profit earned or loss incurred by each reportable and operating segment without allocation of corporate income, central administrative costs and finance costs. This is the measure reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Macau and other jurisdictions		
Current tax	4,693	13,216
Overprovision in prior years	—	(10)
	<u>4,693</u>	<u>13,206</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the assessable profits were wholly absorbed by tax losses brought forward for both periods.

Taxation arising in Macau and other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging (crediting):		
Consultancy fee (<i>Note</i>)	2,692	9,446
Depreciation of property, plant and equipment	27,605	27,699
Less: Amount capitalised in respect of contracts in progress	(1,869)	(2,346)
Less: Amount capitalised in respect of hotel under development	(6,490)	(8,627)
	19,246	16,726
Legal and professional fee (<i>Note</i>)	14,904	25,111
Loss (gain) on disposal of property, plant and equipment	3,524	(117)
Pre-opening expenses for hotel under development (<i>Note</i>)	–	100,000
Release of prepaid land lease payments	52,296	52,295
Less: Amount capitalised in respect of hotel under development	(52,008)	(52,008)
	288	287
Staff costs after capitalisation in respect of hotel under development and contracts in progress (<i>Note</i>)	83,086	91,850
Interest income	(2,779)	(13,330)
Less: Interest income capitalised in respect of hotel under development	138	7,877
	(2,641)	(5,453)

Note: These items are included in administrative and other expenses.

6. DIVIDENDS

No dividend was recognised as distributions to owners of the Company during the six months ended 30 September 2016 and 2015.

No dividend was declared or proposed by the directors of the Company for the six months ended 30 September 2016 and 2015.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the period is based on the following data:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
<u>Loss</u>		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<u>(28,313)</u>	<u>(148,018)</u>
<u>Number of shares</u>		
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (<i>Note</i>)	<u>909,225,295</u>	<u>908,181,895</u>

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share for the six months ended 30 September 2016 and 2015 have been arrived at after deducting the shares held in trust for the Company by an independent trustee.

The computation of diluted loss per share for the six months ended 30 September 2016 and 2015 does not assume the exercises of convertible bonds and the unvested shares awarded outstanding for the six months ended 30 September 2016 and 2015 since assumed such exercises would result in a decrease in loss per share. In addition, the computation of diluted loss per share for the six months ended 30 September 2016 and 2015 does not assume the exercises of exchange right granted to option holders under a subsidiary's share option scheme and the Company's share options outstanding during the six months ended 30 September 2016 and 2015 because the adjusted exercise prices of those exchange rights and options were higher than the average market price of the shares during both periods.

8. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

Trade debtors mainly arise from management contracting business. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 60 to 90 days.

Included in trade and other debtors, deposits and prepayments are trade debtors of about HK\$858,340,000 (31.3.2016: HK\$596,062,000). The aged analysis of trade debtors, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2016	31.3.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	756,220	525,632
More than 90 days and within 180 days	18,225	37,734
More than 180 days	83,895	32,696
	858,340	596,062

9. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

The average credit period on trade creditors is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Included in trade and other creditors and accrued expenses are trade creditors of about HK\$644,854,000 (31.3.2016: HK\$512,845,000). The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2016	31.3.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	630,827	498,957
More than 90 days and within 180 days	197	662
More than 180 days	13,830	13,226
	644,854	512,845

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

Hotel Development

The Group is building an exclusive luxury hotel and entertainment complex, expected to open in the first quarter of 2017 on a site of some 65,000 square feet located on the Cotai Strip of Macau (the “Hotel”). The directors believe that the completion and opening of Hotel with provision of ancillary facilities will, in due course, generate strong cash flows for the benefit of all shareholders.

As at 30 September 2016, we recorded a hotel under development asset of approximately HK\$7,204 million representing an increase of approximately HK\$1,065 million for the last six months. Around HK\$3,017 million out of a six-year term loan facility of HK\$3,045 million has been drawn from a Mainland China-based bank for the hotel construction project up to 30 September 2016, representing 99% of the loan facility.

We also recorded approximately HK\$313 million deposits paid for acquisition of fixture, furniture and equipment for hotel operations as at 30 September 2016.

Engineering Business – Paul Y. Engineering Group Limited (“PYE”)

During the period under review, the competition in construction industry remained keen. The difficult operating environment caused by the shortage of skilled labour and rising construction costs persisted. Accordingly, PYE and its subsidiaries (“PYE Group”) adopted tendering strategies that strike a balance between increasing the number of quality contracts on hand and maintaining a reasonable gross margin.

For the six months ended 30 September 2016, segment revenue at PYE Group decreased approximately 37% from approximately HK\$5,973 million in 2015 (including approximately HK\$1,620 million for the Hotel project) to approximately HK\$3,746 million in 2016 (including approximately HK\$688 million for the Hotel project) due to shrink from work orders in Macau. Segment operating profit of PYE Group (including approximately HK\$30 million (2015: HK\$69 million) contributed by the Hotel project), decreased approximately 18% to approximately HK\$67 million (2015: HK\$82 million).

The Group

For six months ended 30 September 2016, the Group recorded consolidated revenue including joint operations of approximately HK\$3,058 million (2015: HK\$4,353 million), representing a decrease of approximately 30% from that of last period due to shrink from work orders in Macau.

Gross profit slightly increased to approximately HK\$113 million (2015: HK\$112 million) primarily due to the absence of one-off provisions made in last period for the lead-in-water incident under certain construction projects but partially net off by the decrease in revenue as a result of the aforesaid reasons. Gross profit margin increased to 3.7% (2015: 2.6%).

Loss attributable to owners of the Company for the period was approximately HK\$28 million (2015: HK\$148 million), representing a decrease of approximately 81% resulted mainly from the absence of one-off pre-opening expenses in relation to hotel under development segment as recorded in last period and decrease in legal and professional fees. Basic loss per share was 3.1 HK cents.

The Group maintained a strong financial position with total assets of approximately HK\$13,452 million. Current assets were approximately HK\$3,930 million and net current assets were approximately HK\$54 million. The equity attributable to owners of the Company slightly decreased approximately HK\$16 million to approximately HK\$5,693 million.

Net cash flow from operating activities was about HK\$104 million and net cash outflow in respect of investing activities was approximately HK\$1,083 million. Net cash inflow in respect of financing activities was approximately HK\$497 million, resulting in a net decrease in cash and cash equivalents of about HK\$482 million for the Group for the six months ended 30 September 2016.

REVIEW OF OPERATIONS

Hotel Development

Construction of the hotel is nearing completion and going through the process of various government inspections in anticipation of obtaining the occupation permit by the end of 4th quarter of 2016.

In September 2016, THE 13 was named as one of the “finest design innovations of 1996-2016” in the 20th anniversary edition of *Wallpaper**, Time Inc.’s highly respected design magazine. THE 13 appeared alongside such landmark design milestones as Apple’s iPhone, the Guggenheim Museum in Bilbao, the Ferrari Enzo, the 9/11 Memorial in New York and the launch of Uber.

In September 2016, following the handover of the first of his highly Bespoke Rolls-Royce Phantoms at the 2016 Geneva International Motor Show in March of this year, all 30 Phantoms have now been shipped from the Home of Rolls-Royce in Goodwood, England.

In May 2016, we collaborated with Macau Government Tourism Office, Macau Films & Television Productions and Culture Association and Cultural Affairs Bureau in the “1st International Film Festival & Awards Macau” as diamond sponsor and will sponsor the event in December 2016.

The number of staff in hotel segment was over 300 by the end of September 2016.

Engineering Business – PYE

Management Contracting division remained the core business and the major contributor of revenue to PYE Group. Revenue of this division amounted to approximately HK\$3,744 million (2015: HK\$5,966 million), including approximately HK\$688 million (2015: HK\$1,620 million) for the Hotel project, down by about 37%. Operating profit decreased by approximately 21% to approximately HK\$64 million (2015: HK\$81 million), including approximately HK\$30 million (2015: HK\$69 million) attributable to the Hotel project. As at 30 September 2016, the value of contracts on hand was approximately HK\$25,609 million while the value of works remaining stood at approximately HK\$9,042 million.

During the period under review, the Management Contracting division secured new contracts with an aggregate value of approximately HK\$4,968 million. Subsequent to the period end, the division secured further contracts of approximately HK\$2,427 million. Set out below are some of the new contracts secured during the period and up to the date of this announcement:

- Basement and superstructure works for the residential development at Kau To Area 56A
- Civil and building works for Unit L10 and Unit L11 (optional) at Lamma Power Station Extension
- Construction management services for The University of Chicago Center in Hong Kong
- Main contract works for the residential development at Kai Tak Area 1I Site 3
- Main contract for the alteration and addition works at Nan Fung Textile Mills

Revenue of the Property Development Management division amounted to approximately HK\$2 million (2015: HK\$7 million) for the period. This division reported a gross loss of approximately HK\$1 million for the period under review. The value of contracts on hand for Property Development Management division at the period end was approximately HK\$34 million.

The Property Investment division reported a profit, through its joint venture, of approximately HK\$4 million (2015: HK\$1 million) for the period under review. The joint venture holds an investment property in Hangzhou, the Pioneer Technology Building, which is an office building with gross floor area of about 20,000 square meters. The building generated rental income of about HK\$6 million (2015: HK\$6 million) during the period and its occupancy reached about 96% as at 30 September 2016.

EVENTS AFTER THE REPORTING PERIOD

There are no major subsequent events since the end of the reporting period and up to the date of this announcement.

LIQUIDITY AND CAPITAL RESOURCES

Under its prudent funding and treasury policies, the Group maintains a variety of credit facilities to meet requirements for working capital. At 30 September 2016, cash, bank balances and deposits stood at approximately HK\$475 million, of which approximately HK\$358 million, HK\$85 million, HK\$14 million, HK\$14 million, HK\$3 million and HK\$1 million were denominated in Hong Kong Dollars, Renminbi, Macau Patacas, Singapore Dollars, Malaysian Ringgit and Japanese Yen respectively. The Group had total borrowings of approximately HK\$3,598 million at period-end of which approximately HK\$581 million are repayable within one year. In addition, the Group also has outstanding convertible bonds with a face value of approximately HK\$2,219 million and a liability component as at 30 September 2016 of approximately HK\$531 million. The convertible bonds mature in February 2025.

All of the Group's borrowings, other than the convertible bonds, as at 30 September 2016 bear interest at floating rates and are denominated in Hong Kong Dollars. The convertible bonds are interest free. The Group's gearing ratio, based on total borrowings of approximately HK\$4,129 million and equity attributable to owners of the Company of around HK\$5,693 million, increased from approximately 0.61 at 31 March 2016 to about 0.73 at 30 September 2016 primarily due to increase in total borrowings related to hotel development.

EMPLOYEES

The Group had 1,816 full-time employees, including the Directors of the Group but excluding contracted casual labour in Macau, as at 30 September 2016. The Group offers competitive remuneration packages based on overall market rates, employee performance, and the performance of the Group. Remuneration packages are comprised of salary, performance-based bonuses, and other benefits including training, provident funds and medical coverage. Three share incentive schemes (namely share option scheme, share award scheme and share financing plan) are in place to motivate and reward eligible employees.

PLEDGE OF ASSETS

As at 30 September 2016, the Group pledged hotel under development, prepaid land lease payments and bank deposits of approximately HK\$7,204 million, HK\$1,647 million and HK\$17 million, respectively, and charged the Group's benefits over certain construction contracts and the Group's interests over certain subsidiaries to secure the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of indemnities of approximately HK\$50 million issued to financial institutions for performance bonds on construction contracts of an associate and joint operations and contingent liabilities in respect of corporate guarantee of approximately HK\$20 million issued to a bank for general banking facilities granted to an associate as at 30 September 2016.

COMMITMENTS

As at 30 September 2016, the Group has expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment and hotel under development of approximately HK\$187 million and HK\$147 million respectively.

SECURITIES IN ISSUE

During the six months ended 30 September 2016, 2,100,000 share options were granted and 150,000 share options lapsed.

As at 30 September 2016, there were 920,867,010 shares in issue. Additional shares may be issued by way of: i) exercise of share options of the Company for up to 91,632,000 shares of the Company depending on the fulfilment of vesting conditions attached to the options; ii) exchange for up to 10% of the shares in Falloncroft Investments Limited ("Falloncroft") for up to 88,235,294 shares of the Company depending on the ultimate equity capitalization of Falloncroft and achievement of certain performance targets related to hotel development; and iii) conversion of three 2025 convertible bonds which if fully converted would result in the issuance of 465,814,719 shares of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2016 (2015: Nil).

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

During the six months ended 30 September 2016, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

OUTLOOK

Looking ahead, the global economic growth will likely remain weak. In an environment of very low global inflation, it appears that the major central banks have reached the limit of the economic stimulus achievable using traditional monetary tools. In addition there is uncertainty generated by:

- Brexit;
- the continued slow pace of structural reforms in the Eurozone and Japan;
- continued conflicts in the Middle East; and
- slowing growth and structural reforms taking place in China.

Hotel Development

Macau continued to experience declines in gross gaming revenue (“GGR”). GGR for the 9 months to September 2016 was approximately HK\$158 billion reflecting a 7.5% decline from the same period in 2015. However there are signs that the decline is slowing. GGR in October 2016 showed an increase of 8.8% year-on-year (“Y-O-Y”).

The declines are primarily due to declining VIP revenue which fell Y-O-Y 17.3% in the first half of 2016 versus the first half of 2015. Mass market GGR (the Company’s primary target segment), declined by 3.4% over the same period. The mass-market segment contributed 53.1% of GGR in the first half of 2016, an increase of 10 percentage points compared to the first six months of 2015.

Visitation to Macau remained stable with Macau recording a slight decrease of 2.6% for full year 2015 and a slight increase of 0.1% for the first nine months of 2016. Hotel occupancy has also remained stable.

Despite the anticipated volatile market conditions, the Group feels that its niche strategy of targeting a global clientele of high net worth aspirational spenders with a uniquely rare and remarkable product, is well positioned to compete in a slow market and is a business model that will prove to be highly resilient even in a market downturn.

We expect that Macau will eventually return to long-term moderate growth driven by the introduction of new transportation infrastructure, continued increase in hotel rooms and the development of neighboring Hengqin Island which will transform Macau into a leading tourism hub in Asia.

Engineering Business – PYE

With an outlook of moderate but uneven regional growth, PYE Group, nevertheless remains confident about the prospects of the construction industry. The continued commitment by the HKSAR government to support infrastructure investment and the introduction of a series of policies to boost land supply, together with sustained efforts by Macau's government in improving Macau's infrastructure, support positive market prospects. The recent rise in property prices has encouraged property developers to be more aggressive in increasing their land banks. The increase in demand for engineering services will likely be sustained in medium term.

However, these opportunities are tempered by various challenges such as the shortage of talent and skilled labour, which continue to drive up labour costs. Sluggish progress by Hong Kong's Legislative Council in gaining approval for funding is further delaying various major infrastructure projects, creating potential vulnerabilities for the market.

In the face of such challenges, PYE Group has formulated a series of contingency plans, and will persist in strengthening our business by exploring partnerships with clients and actively introducing new technologies and techniques. At the same time, we will continue to invest substantial resources in talent development. On one hand, this will position us well to take advantage of foreseeable opportunities in the future, and, on the other hand, reinforce and enhance the reputation for professionalism and innovation that we have taken pride in over the years.

Building on 70 years' of solid experience and our role as an industry leader, PYE Group will continue to concentrate on prudent business operations that will bring sustainable return to shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance because it believes that is the best way to enhance shareholder value. The Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2016 and has adopted most of the recommended best practices stated therein.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the "Audit Committee") include oversight of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information, and review of the relationship with the external auditor of the Company.

The Audit Committee comprises five independent non-executive directors of the Company, namely:

- Ir James Chiu, *OBE, JP* (Chairman of the Audit Committee)
- Professor Lee Chack Fan, *GBS, SBS, JP*
- Mr Iain Ferguson Bruce
- Mr Francis Goutenmacher
- Mr Chan Kok Chung, Johnny

The Group's interim results for the six months ended 30 September 2016 have been reviewed by the Audit Committee and the Company's external auditor.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

All directors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the six months ended 30 September 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.The13.com and the Stock Exchange's website. The interim report for the six months ended 30 September 2016 will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, we would like to take this opportunity to thank our shareholders, customers, and business partners for their continuous support and contributions. We would also like to express our gratitude to our fellow directors for their guidance, and thank all our staff for their dedication and hard work.

On behalf of the Board
Stephen Hung & Peter Lee Coker Jr.
Joint Chairmen

Hong Kong, 15 November 2016

As at the date of this announcement, the directors of the Company are:

Mr Stephen Hung	:	Joint Chairman (Executive Director)
Mr Peter Lee Coker Jr.	:	Joint Chairman (Executive Director)
Mr Lau Ko Yuen, Tom	:	Deputy Chairman (Executive Director)
Mr Walter Craig Power	:	Chief Executive Officer (Executive Director)
Ir James Chiu, <i>OBE, JP</i>	:	Independent Non-Executive Director
Professor Lee Chack Fan, <i>GBS, SBS, JP</i>	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director
Mr Francis Goutenmacher	:	Independent Non-Executive Director
Mr Chan Kok Chung, Johnny	:	Independent Non-Executive Director