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MULTIFIELD INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 898)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS

The board of directors (the “Board”) of Multifield International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended 30 June	
	<i>Notes</i>	2017	2016
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
REVENUE	3	300,142	(26,024)
Cost of sales		<u>(21,284)</u>	<u>(18,996)</u>
Gross profit/(loss)		278,858	(45,020)
Other income and gains	3	1,937	5,192
Foreign exchange differences, net		(352)	3,202
Operating and administrative expenses		(28,149)	(21,336)
Finance costs	5	<u>(16,514)</u>	<u>(15,287)</u>
PROFIT/(LOSS) BEFORE TAX	4	235,780	(73,249)
(Income tax expense)/tax credit	6	<u>(6,049)</u>	<u>247,590</u>
PROFIT FOR THE PERIOD		<u>229,731</u>	<u>174,341</u>

	For the six months ended 30 June	
	2017	2016
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>229,731</u>	<u>174,341</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	147,351	150,191
Non-controlling interests	<u>82,380</u>	<u>24,150</u>
	<u>229,731</u>	<u>174,341</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	147,351	150,191
Non-controlling interests	<u>82,380</u>	<u>24,150</u>
	<u>229,731</u>	<u>174,341</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic and diluted	8 <u>3.52 cents</u>	<u>HK3.59 cents</u>

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		As at 30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		324,544	327,870
Investment properties		8,286,916	8,210,402
Prepaid land lease payments		387	391
Club debenture		670	670
Available-for-sale investments	9	<u>—</u>	<u>—</u>
 Total non-current assets		 <u>8,612,517</u>	 <u>8,539,333</u>
CURRENT ASSETS			
Properties held for sale		281,851	281,851
Trade receivables	10	9,117	13,725
Prepayments, deposits and other receivables		13,835	8,080
Equity investments at fair value through profit or loss		1,345,419	1,249,898
Pledged deposits		355	353
Cash and cash equivalents		272,304	437,286
 Total current assets		 <u>1,922,881</u>	 <u>1,991,193</u>
 TOTAL ASSETS		 <u>10,535,398</u>	 <u>10,530,526</u>
CURRENT LIABILITIES			
Trade payables	11	599	2,894
Other payables and accruals		143,671	198,061
Deposits received		58,611	56,417
Interest-bearing bank and other borrowings		1,910,087	2,052,054
Tax payable		47,899	47,899
 Total current liabilities		 <u>2,160,867</u>	 <u>2,357,325</u>
 NET CURRENT LIABILITIES		 <u>(237,986)</u>	 <u>(366,132)</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		 <u>8,374,531</u>	 <u>8,173,201</u>

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Amount due to a director	4,724	1,772
Deferred tax liabilities	<u>1,149,696</u>	<u>1,149,696</u>
Total non-current liabilities	<u>1,154,420</u>	<u>1,151,468</u>
Net assets	<u><u>7,220,111</u></u>	<u><u>7,021,733</u></u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	41,804	41,804
Reserves	<u>5,747,389</u>	<u>5,631,391</u>
Non-controlling interests	<u>5,789,193</u> <u>1,430,918</u>	5,673,195 <u>1,348,538</u>
Total equity	<u><u>7,220,111</u></u>	<u><u>7,021,733</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2016 except as noted below.

In the current period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferral Tax Assets for Unrealised Losses</i>

The adoption of the new amendments had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the following new or revised HKASs and HKFRSs, that have been issued but are not yet effective, in these interim financial statements:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

Going concern

The Group had net current liabilities of approximately HK\$237,986,000 as at 30 June 2017 (as at 31 December 2016: HK\$366,132,000). Notwithstanding the above, the directors of the Company have prepared the financial statements on the going concern basis on the assumption that the Group will continue to operate as a going concern for the foreseeable future as the ultimate holding company of the Company, Power Resources Holdings Limited has confirmed to provide necessary funds to the Group so as to enable the Group to discharge its obligations as and when they fall due.

2. OPERATING SEGMENT INFORMATION

The analyses of the principal activities of the operations of the Group are as follows:

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Corporate and others		Total	
	For the six months ended 30 June									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:										
Revenue from external customers	<u>87,591</u>	<u>90,643</u>	<u>15,699</u>	<u>11,149</u>	<u>196,852</u>	<u>(127,816)</u>	<u>-</u>	<u>-</u>	<u>300,142</u>	<u>(26,024)</u>
Segment results	<u>77,040</u>	<u>(326,943)</u>	<u>(10,485)</u>	<u>(9,771)</u>	<u>189,542</u>	<u>(185,068)</u>	<u>(5,740)</u>	<u>458,628</u>	<u>250,357</u>	<u>(63,154)</u>
<i>Reconciliation:</i>										
Interest income from loans and receivables									156	724
Other gains									1,781	4,468
Finance costs									<u>(16,514)</u>	<u>(15,287)</u>
Profit/(loss) before tax									<u>235,780</u>	<u>(73,249)</u>

Geographical information

	Hong Kong		Mainland China		Total	
	For the six months ended 30 June					
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>229,494</u>	<u>(92,612)</u>	<u>70,648</u>	<u>66,588</u>	<u>300,142</u>	<u>(26,024)</u>

The revenue information above is based on the locations of the customers. No single external customer accounted for 10% or more of the total revenue for the periods ended 30 June 2017 and 2016.

3. REVENUE , OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rental income from property letting	87,591	90,643
Serviced apartment and property management	15,699	11,149
Fair value gains/(losses) on equity investments at fair value through profit or loss, net	193,717	(194,835)
Fair value gains on derivative financial instruments	–	52,691
Dividend income from listed investments	3,135	14,328
	<u>300,142</u>	<u>(26,024)</u>
Other income and gains		
Interest income from loans and receivables	156	724
Gain on disposal of items of property, plant and equipment	525	–
Others	1,256	4,468
	<u>1,937</u>	<u>5,192</u>

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Depreciation	3,276	2,772
Amortisation of prepaid land lease payments	4	5
Foreign exchange differences, net	352	(3,202)
	<u> </u>	<u> </u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	6,402	7,633
Pension scheme contributions (defined contribution scheme)	159	162
	<u> </u>	<u> </u>
Total staff costs	6,561	7,795
	<u> </u>	<u> </u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank loans, overdrafts and other loans	16,514	15,287
	<u> </u>	<u> </u>

6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	–	–
Over provision in prior years	–	–
Current – Mainland China		
Charge for the period	(6,049)	(5,700)
Deferred tax (charge)/credit	–	253,290
Total tax (charge)/credit for the period	<u>(6,049)</u>	<u>247,590</u>

7. DIVIDENDS

(a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend paid – HK0.75 cents (2015: HK0.70 cents) per ordinary share	<u>31,353</u>	<u>29,263</u>

(b) Dividend declared after the end of the reporting period:

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interim dividend declared – HK0.60 cents (2016: HK0.60 cents) per ordinary share	25,082	25,082
	<u><u>25,082</u></u>	<u><u>25,082</u></u>

The above interim dividends were declared after the interim reporting dates and have not been recognised as liabilities at the end of the respective reporting periods.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$147,351,000 (2016: HK\$150,191,000) and the weighted average number of ordinary shares of 4,180,371,092 (2016: 4,180,371,092) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2017 and 2016.

9. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2017	As at 31 December 2016
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets		
Unlisted equity investments, at cost	11,589	11,589
Impairment	(11,589)	(11,589)
	<u><u>–</u></u>	<u><u>–</u></u>

The unlisted investments were stated at cost less impairment because the ranges of reasonable fair value estimates are so significant that the directors are of opinions that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

10. TRADE RECEIVABLES

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of trade receivables as at the end of the reporting period, based on invoice dates and net of provisions, is as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Within 1 month	1,437	2,404
1 to 2 months	594	1,447
2 to 3 months	380	1,209
Over 3 months	6,706	8,665
	<u>9,117</u>	<u>13,725</u>

11. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on invoice dates, is as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Within 1 month	487	2,376
1 to 2 months	–	351
2 to 3 months	–	13
Over 3 months	112	154
	<u>599</u>	<u>2,894</u>

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

12. EVENTS AFTER THE REPORTING PERIOD

On 22 March 2017, the Group entered into a provisional agreement for sale and purchase to acquire the entire issued and outstanding share capital in Rich Century Development Limited (“Rich Century”) for a consideration of HK\$55 million which is principally engaged in property investment and hold a property located in Hong Kong. Upon completion on 12 July 2017, Rich Century became an indirect non-wholly-owned subsidiary of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 October 2017 to Thursday, 12 October 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 9 October 2017. The interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 12 October 2017 and the payment date will be on or about Thursday, 26 October 2017.

CHAIRMAN’S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the “Board”) of Multifield International Holdings Limited (the “Company”), I am pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017.

REVIEW OF OPERATION

During the period under reporting, the Group recorded a profit of approximately HK\$230 million (2016: HK\$174 million), with a substantial increase in profit (approximately 32%) as compared with that of the corresponding period in 2016 which was mainly due to the profit brought by the fair value gains in equity investments (stocks) held by the Group.

The Group’s rental income in Hong Kong recorded a decrease of approximately 7%.

The Group’s rental and management fee income from hotel-serviced apartments and villas in Shanghai recorded an increase of approximately 6%.

The Group's equity investments recorded a fair value gain of approximately HK\$194 million (2016: loss of HK\$195 million). Equities investments recorded dividend income of approximately HK\$3 million (2016: HK\$14 million).

As disclosed in the Company's announcement dated 21 July 2017, the deferred tax credit of approximately HK\$253 million from an investment property of the Group in Mainland China, which was credited to the profit or loss account for the six months ended 30 June 2016, was no longer available for the six months ended 30 June 2017.

PROPERTY INVESTMENT

Hong Kong

The Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings, retail shops and car parks. The Group's investment properties portfolio contributed stable rental revenue of approximately HK\$32 million for the six months ended 30 June 2017. (2016: HK\$35 million)

The Group's construction site at 54 Wong Chuk Hang Road, Hong Kong has completed the superstructure. The construction of the new building is expected to be completed in year 2017/2018. It is expected that the new building will provide a new and stable source of income to the Group.

Shanghai, China

The Group's properties portfolio in Shanghai, China is divided into three residential complexes, comprising of around 182 blocks of hotel-serviced villas and 132 hotel-serviced apartments respectively. The properties in Shanghai are operated under the name of "Windsor Renaissance", which is regarded as a symbol of high quality villas and hotel-serviced apartments in Shanghai, and are well recognised by consulates and foreign business entities. The Shanghai properties has an average occupancy rate of approximately 90%, and generates rental and management fee revenue of approximately HK\$71 million for the six months ended 30 June 2017 to the Group. (2016: HK\$67 million).

Zhuhai, China

There are two land banks in Zhuhai, China.

36,808 square meters of commercial use land in Qianshan is now under relocation progress. In July 2015, a new relocation policy has changed the responsibility of relocation from the land department to the local district government. The Group supports the local district government on the relocation work. The Group had submitted a proposal to the local government for the relocation, and had recently had a meeting with the local relocation authorities to follow up the relocation work.

Regarding the Group's other parcel of hotel and commercial use land located in Doumen district, Zhuhai, the PRC ("Doumen Land"), the Group received a letter from the Zhuhai Land Reserve Centre in July 2016 which stated that due to a change in town planning, we are no longer permitted to build hotels and shopping malls on the Doumen Land. The Zhuhai government proposed to either buy back the Doumen Land from the Group or to perform an exchange of land. Recently, the Zhuhai Land Reserve Centre performed a valuation on the Doumen Land, and expressed its wish to buy back the Doumen Land from the Group. Upon the news, the Group also performed a valuation of the Doumen Land and found the valuations to differ vastly. Hence the Group suspects that the valuation performed by the government was improper and that the government's actions were unlawful. To protect the interests of the Company and its shareholders, the Group had appointed Chinese lawyers to investigate and will take legal action if necessary. The Group will do everything for the benefit of our shareholders and the company.

FINANCIAL INVESTMENTS

During the period under reporting, equity investments (stocks) held by the Group recorded net fair value gains.

As of 30 June 2017, the Group held approximately HK\$1,345 million (as of 31 December 2016: HK\$1,250 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity and bonds investments were held by the Group in long-term for investment purpose and receiving dividend income.

The Group's equity investments recorded a net fair value gain of approximately HK\$194 million (2016: loss of HK\$195 million) when marking the investment portfolios to market valuation as of 30 June 2017, along with dividend income of approximately HK\$3 million (2016: HK\$14 million).

The equity investments held by the Group as at 30 June 2017 were as follows:

Stock Code	Company Name	Number of shares held as at 30 June 2017 '000	Percentage of shareholding as at 30 June 2017 %	Fair value gain/(loss) for the six months ended 30 June 2017 HK\$'000 (Unaudited)	Dividends income for the six months ended 30 June 2017 HK\$'000 (Unaudited)	Fair value/ carrying amount as at 30 June 2017 HK\$'000 (Unaudited)
2800	Tracker Fund of Hong Kong	16,250	0.46	67,437	2,437	426,563
5	HSBC Holdings plc	5,620	0.03	67,324	-	408,270
2828	Hang Seng H-Share Index ETF	2,664	0.70	27,706	-	279,187
3988	Bank of China Limited	29,300	0.04	11,427	-	112,219
941	China Mobile Limited	340	0.00	221	423	28,169
2628	China Life Insurance Company Limited	1,000	0.01	3,650	-	23,850
2318	Ping An Insurance (Group) Co. of China Ltd.	400	0.01	5,060	-	20,580
857	PetroChina Co. Ltd.	2,378	0.01	(2,378)	-	11,366
	Other listed securities#			13,270	275	35,215
				<u>193,717</u>	<u>3,135</u>	<u>1,345,419</u>

Other listed securities mainly represented the Group's investment in 16 companies whose shares are mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 30 June 2017.

As at 30 June 2017, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may mainly be affected by worldwide economy and the degree of volatility in the Chinese and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performance of respective equity investments and the changes of market condition. The Company will adjust the Company's portfolio of investments as the Board considers appropriate.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 22 March 2017, an indirect non-wholly-owned subsidiary of the Company had entered into a provisional agreement for sale and purchase with Victoria Palace Limited (the “Vendor”), an independent third party who or which is independent of the Company and its connected persons (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)), pursuant to which the Vendor agreed to sell and assign, and the Group agreed to purchase and take up an assignment of, the entire issued share capital of Rich Century Development Limited (“Rich Century”) and the right to all debts owing by Rich Century to the Vendor, Rich Century’s previous director and their associates (if any) as at completion free from all encumbrances and third party rights for a consideration of HK\$55,000,000. Rich Century is the full legal and beneficial owner and registered owner of Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 30th Floor of Tower 1, Larvotto and Car Parking Space No. 16 on the Ground Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong. Upon completion of the acquisition on 12 July 2017, the Group held the entire issued and outstanding share capital in Rich Century, and Rich Century became an indirect non-wholly-owned subsidiary of the Company and its financial results were consolidated into the consolidated financial statements of the Group. This acquisition did not constitute a notifiable transaction under the Listing Rules.

Save as disclosed elsewhere under the section headed “Chairman’s Statement and Management Discussion and Analysis”, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the period.

FOREIGN CURRENCY EXPOSURE

The Group’s monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group’s performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 30 June 2017, the Group has not entered into any financial instrument for foreign currency hedging purpose.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and/or debt investments of approximately HK\$1,345 million (as of 31 December 2016: HK\$1,250 million) as of 30 June 2017. The Group's cash and cash equivalents as of 30 June 2017 amounted to approximately HK\$272 million (as of 31 December 2016: HK\$437 million).

As of 30 June 2017, the Group had total bank and other borrowings amounting to approximately HK\$1,910 million (as of 31 December 2016: HK\$2,052 million), which were secured by legal charges on the Group's certain investment properties in Hong Kong and Shanghai, and certain equity investments. The Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Group as at 30 June 2017 was as follows:

	<i>HK\$'000</i> (Unaudited)
Within one year	1,385,551
In the second year	401,870
In the third to fifth years, inclusive	<u>122,666</u>
Total	<u><u>1,910,087</u></u>

With the total bank and other borrowings of approximately HK\$1,910 million (as of 31 December 2016: HK\$2,052 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$9,130 million (as of 31 December 2016: HK\$9,074 million), the Group's gearing ratio as at 30 June 2017 was around 21% (as of 31 December 2016: 23%).

CONTINGENT LIABILITY

As of 30 June 2017, the Group had no material contingent liability.

COMMITMENTS

As of 30 June 2017, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$162 million (as of 31 December 2016: HK\$243 million).

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2017, the Group had approximately 220 employees in Shanghai, Zhuhai and Hong Kong. During the period, the staff costs (including directors' emoluments) amounted to approximately HK\$7 million (2016: HK\$8 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are mainly considered. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

PROSPECT

The US Federal Reserve had increased the interest rate again in December 2016, March 2017 and June 2017, and announced the start of shrinking of its balance sheet within the year. As Hong Kong dollar is pegged to the US dollar, Hong Kong may follow to increase its interest rate in the future. These may exert pressure on price on equity investments held by the Group, particular in high-yield equity investments. Besides, the slowdown in growth of Chinese economy may have a significant impact on Hong Kong's rental market.

The investment properties (particularly the small-sized residential units) in Hong Kong had recorded increase in market value in the first half year of 2017. On 4 November 2016, the Hong Kong government announced that the Stamp Duty Ordinance would be amended to increase the ad valorem stamp duty rates for residential property transactions to a flat rate of 15%. Facing the new government policy and with the conditions for potential interest rate increase, investment properties in Hong Kong held by the Group might record decrease in market value as compared to the increase in previous years.

The Chinese government expects the economy to grow by around 6.5% in 2017, slightly lower than last year's 26-year low of 6.7%. In addition to the potential depreciation of Renminbi, retreat of foreign investments from China and intensive competition in rental business in China, these may exert pressure on the revenue from provision of hotel-serviced villas, apartments and property management services in China. Despite of China's possible slower than expected economic growth, inflationary pressure on salaries, utilities expenses, properties renovation and quality enhancement expenses remains a key challenge to the Group.

On 1 May 2016, the final phase of the transition from the Business Tax to Value Added Tax regime took effect and became applicable to the real estate sector, among other industries. The Group has taken appropriate measures to ensure a smooth transition to the new tax regime.

The worldwide economy (especially Chinese and Hong Kong's economy) is performing more and more volatile, with regard to uncertainties brought by policy-driven markets. The Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthening the rental and property development business, and seizing further investment opportunities.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events subsequent to the balance sheet date are set out in Note 12.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of listed securities of the Company during the six months ended 30 June 2017.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the "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 June 2017, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subjected to re-election; and (ii) all directors appointed to fill a casual vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision of E.1.2, the chairman of the board should attend the annual general meeting.

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 26 May 2017 (the “2017 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2017 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2017 AGM.

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 directors’ securities transactions. Based on specific enquiry of all directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2017.

BOARD OF DIRECTORS

As of the date of this announcement, the executive directors of the Company are Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi and the independent non-executive directors of the Company are Mr. Lee Siu Man, Ervin, Mr. Wong Yim Sum and Mr. Tsui Ka Wah.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 25 August 2017