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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 2020**

#### **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 2020, together with the comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six months ended 30 June 2020

		<b>For the six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	3	<b>(126,743)</b>	200,595
Cost of sales		<b>(21,433)</b>	(22,288)
Gross (loss)/profit		<b>(148,176)</b>	178,307
Other income and gains	3	<b>5,041</b>	14,563
Foreign exchange differences, net		<b>(548)</b>	(10)
Operating and administrative expenses		<b>(20,264)</b>	(24,814)
Finance costs	5	<b>(20,165)</b>	(22,851)
<b>(LOSS)/PROFIT BEFORE TAX</b>	4	<b>(184,112)</b>	145,195
Income tax expense	6	<b>(6,079)</b>	(6,260)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(190,191)</b>	138,935

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b><i>(Unaudited)</i></b>	<i>(Unaudited)</i>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	<b>(115,419)</b>	92,279
Non-controlling interests	<b>(74,772)</b>	46,656
	<b><u>(190,191)</u></b>	<u>138,935</u>
<b>(LOSS)/EARNINGS PER SHARE</b>		
<b>ATTRIBUTABLE TO ORDINARY EQUITY</b>		
<b>HOLDERS OF THE COMPANY</b>		
Basic and diluted	<b>8 <u>HK(2.76) cents</u></b>	<u>HK2.21 cents</u>

Details of interim dividend are disclosed in note 7.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the six months ended 30 June 2020

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(190,191)</b>	138,935
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<u>(1)</u>	<u>–</u>
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD</b>	<u><b>(190,192)</b></u>	<u>138,935</u>
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	(115,420)	92,279
Non-controlling interests	<u>(74,772)</u>	<u>46,656</u>
	<u><b>(190,192)</b></u>	<u>138,935</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	As at <b>30 June 2020</b> <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		203,763	205,963
Investment properties		10,192,796	10,192,796
Right-of-use assets		362	366
Club debenture		330	670
		<b>10,397,251</b>	<b>10,399,795</b>
<b>TOTAL non-current assets</b>			
<b>CURRENT ASSETS</b>			
Properties held for sale		281,851	281,851
Trade receivables	9	7,289	3,888
Prepayments, deposits and other receivables		229,992	230,732
Equity investments at fair value through profit or loss		804,721	1,043,987
Cash and cash equivalents		522,806	538,641
		<b>1,846,659</b>	<b>2,099,099</b>
<b>TOTAL current assets</b>			
<b>TOTAL ASSETS</b>		<b>12,243,910</b>	<b>12,498,894</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	1,042	2,039
Other payables and accruals		162,158	166,808
Deposits received		59,236	58,954
Interest-bearing bank and other borrowings		371,628	722,083
Tax payable		50,898	53,523
		<b>644,962</b>	<b>1,003,407</b>
<b>TOTAL current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>1,201,697</b>	<b>1,095,692</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,598,948</b>	<b>11,495,487</b>

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2019 HK\$'000 (Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>1,390,000</b>	1,110,000
Amount due to a director	<b>102,098</b>	57,092
Deferred tax liabilities	<b>1,196,699</b>	1,196,699
	<hr/>	<hr/>
Total non-current liabilities	<b>2,688,797</b>	2,363,791
	<hr/>	<hr/>
<b>Net assets</b>	<b>8,910,151</b>	9,131,696
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Issued capital	<b>41,804</b>	41,804
Reserves	<b>7,215,043</b>	7,361,816
	<hr/>	<hr/>
	<b>7,256,847</b>	7,403,620
Non-controlling interests	<b>1,653,304</b>	1,728,076
	<hr/>	<hr/>
<b>Total equity</b>	<b>8,910,151</b>	9,131,696
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# 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 2019 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 2020.

Amendments to HKFRS 3	<i>Definition of a Business</i> <sup>3</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>2</sup>

Except as described below, 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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> No mandatory effective date yet determined but available for adoption

## 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		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June								
<b>Segment revenue:</b>								
Revenue from external customers	<u>93,933</u>	<u>93,658</u>	<u>17,139</u>	<u>17,367</u>	<u>(237,815)</u>	<u>89,570</u>	<u>(126,743)</u>	<u>200,595</u>
<b>Segment results</b>	<u>82,189</u>	<u>84,216</u>	<u>(7,204)</u>	<u>(13,695)</u>	<u>(237,881)</u>	<u>88,132</u>	<u>(162,896)</u>	<u>158,653</u>
<i>Reconciliation:</i>								
Unallocated corporate expenses							(6,092)	(5,169)
Interest income on bank deposits							1,487	1,127
Other gains							3,554	13,435
Finance costs							<u>(20,165)</u>	<u>(22,851)</u>
(Loss)/profit before tax							<u>(184,112)</u>	<u>145,195</u>

### Geographical information

	Hong Kong		Mainland China		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June						
Revenue from external customers	<u>(202,393)</u>	<u>125,034</u>	<u>75,650</u>	<u>75,561</u>	<u>126,743</u>	<u>200,595</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 2020 and 2019.

### 3. REVENUE , OTHER INCOME AND GAINS

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from contracts with customers</i>		
Serviced apartment and property management	<u>17,139</u>	<u>17,367</u>
<i>Revenue from other sources</i>		
Rental income from property letting under fixed lease payments	<u>93,933</u>	<u>93,658</u>
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(239,266)	70,853
Dividend income from listed investments	<u>1,451</u>	<u>18,717</u>
	<u>(126,743)</u>	<u>200,595</u>

#### **Revenue from contracts with customers**

(a) *Disaggregation of revenue information*

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
By source of revenue:		
<i>Revenue recognised overtime</i>		
Serviced apartment and property management	<u>17,139</u>	<u>17,367</u>
By geographical locations:		
Hong Kong	524	491
Mainland China	<u>16,615</u>	<u>16,876</u>
	<u>17,139</u>	<u>17,367</u>



(b) *Performance obligations for contracts with customers*

Property management services income is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these serviced apartment and property management services based on monthly statement issued by the Group's management agent using output method.

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals.

**Other income and gains**

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income earned on bank balances	<b>1,487</b>	1,127
Gain on disposal of items of property, plant and equipment, net	–	1,880
Others	<b>3,554</b>	11,556
	<b>5,041</b>	14,563

**4. (LOSS)/PROFIT BEFORE TAX**

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation of property, plant and equipment	<b>2,045</b>	2,423
Depreciation of right-of-use assets	<b>4</b>	4
Foreign exchange differences, net	<b>548</b>	10
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	<b>6,652</b>	6,601
Pension scheme contributions (defined contribution scheme)	<b>155</b>	155
Total staff costs	<b>6,807</b>	6,756

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other loans	<u>20,165</u>	<u>22,851</u>

## 6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	–	488
Over provision in prior years	–	–
Current – Mainland China		
Charge for the period	<u>6,079</u>	<u>5,772</u>
Total tax charge for the period	<u>6,079</u>	<u>6,260</u>

## 7. DIVIDENDS

- (a) Dividends recognised as distribution during the period:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Final dividend paid – HK0.75 cents (2018: HK0.75 cents) per ordinary share	<b>31,353</b>	31,353

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interim dividend declared – HK0.50 cents (2019: HK0.60 cents) per ordinary share	<b>20,902</b>	25,082

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. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$115,419,000 (2019: profit for the period of approximately HK\$92,279,000) and the weighted average number of ordinary shares of 4,180,371,092 (2019: 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 2020 and 2019.

## 9. TRADE RECEIVABLES

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	As at 31 December 2019 HK\$'000 (Audited)
Trade receivables	<u>7,289</u>	<u>3,888</u>
	<u><b>7,289</b></u>	<u><b>3,888</b></u>

Trade receivables mainly consists of receivables from property management services and rental receivables, 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 receivables balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	As at 31 December 2019 HK\$'000 (Audited)
Within 1 month	2,459	2,100
1 to 2 months	1,246	899
2 to 3 months	1,389	233
Over 3 months	<u>2,195</u>	<u>656</u>
	<u><b>7,289</b></u>	<u><b>3,888</b></u>

## 10. TRADE PAYABLES

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

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2019 HK\$'000 (Audited)</b>
Within 1 month	–	1,997
1 to 2 months	<b>1,000</b>	–
2 to 3 months	–	–
Over 3 months	<b>42</b>	42
	<hr/> <b>1,042</b> <hr/>	<hr/> 2,039 <hr/>

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

## 11. EVENTS AFTER THE REPORTING PERIOD

### *Completion of Group Reorganisation Plan*

The Company and Oriental Explorer Holdings Limited (“Oriental Explorer”) entered into the master agreement (the “Master Agreement”) on 11 June 2020, transactions under which include (i) the acquisition by Oriental Explorer from the Company for a consideration of HK\$1,381,502,456 (subject to adjustment) of the entire issued share capital in Reach Profit Investments Limited (the “Multifield Disposal Company”) and the outstanding amount due to the Company by the Multifield Disposal Company at completion, and (ii) the acquisition by the Company from Oriental Explorer for a consideration of HK\$1,146,746,283 (subject to adjustment) of the entire issued share capital in Linkful Strategic Investment Limited (the “OE Disposal Company”) and the outstanding amount due to Oriental Explorer by the OE Disposal Company at completion.

The completion of the transactions under the Master Agreement took place on 31 July 2020. To settle the shortfall in considerations, Oriental Explorer issued an interest-free promissory note of HK\$147,773,043.11 to Multifield on the completion date, and, also on the same day, allotted and issued 1,181,836,004 consideration shares (representing approximately 30.4% of the enlarged issued shares of Oriental Explorer) at issue price HK\$0.0736 each to a nominee of the Company under specific mandate. Accordingly, the number of issued shares of Oriental Explorer has been increased from 2,700,000,000 to 3,881,836,004 and the Company's and public shareholders' interests in Oriental Explorer have been changed from approximately 64.1% to 75% and from 35.9% to 25% respectively.

Before the completion, the OE Disposal Company and the Multifield Disposal Company were wholly-owned subsidiaries of the Oriental Explorer and the Company respectively. Upon completion, the OE Disposal Company has ceased to be a subsidiary of Oriental Explorer, and has become a subsidiary of the Company; on the other hand, the Multifield Disposal Company has become a subsidiary of Oriental Explorer and thus it is still a subsidiary of the Company (through the Company's shareholdings in Oriental Explorer).

Further details are set out in (i) the joint announcement of the Company and Oriental Explorer dated 11 June 2020, (ii) the circular of the Company dated 30 June 2020, (iii) the poll results announcement of the Company dated 23 July 2020, and (iv) the joint announcement of the Company and Oriental Explorer dated 31 July 2020 in relation to (among others) the Master Agreement and the transactions under it.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 7 October 2020 to Friday, 9 October 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 6 October 2020. The interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 9 October 2020 and the payment date will be on or about Friday, 23 October 2020.

## **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 2020.

### **REVIEW OF OPERATION**

During the period under reporting, the Group recorded a loss of approximately HK\$190 million (2019: profit of HK\$139 million). This is mainly due to the loss brought by the fair value loss in equity investments (stocks) held by the Group.

The Group's rental income in Hong Kong remains stable.

The Group's rental and management fee income from hotel-serviced apartments and villas in Shanghai recorded a decrease of approximately 2%.

The Group's equity investments recorded a fair value loss of approximately HK\$239 million (2019: gain of HK\$71 million). Equities investments recorded dividend income of approximately HK\$1 million (2019: HK\$19 million).

## **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\$35 million for the six months ended 30 June 2020 (2019: HK\$35 million).

### **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\$76 million for the six months ended 30 June 2020 to the Group (2019: HK\$76 million).

### **Zhuhai, China**

#### *Zhuhai Qianshan*

The Group's 36,808 square meters of commercial-use land in Qianshan, Zhuhai, the PRC (the "Qianshan Land") is under relocation progress. In July 2015, a new relocation policy transferred the responsibility of relocation from the Land Department ("國土局") to the Xiangzhou District Government ("香洲區政府"). In support of the Xiangzhou District Government's relocation work, the Group proposed to apportion a part of the Qianshan Land to accommodate the relocation of demolished households and had submitted the relevant written proposal to Xiangzhou District Government, the Land Department and the Town Planning Department ("規劃局") in July 2018. The Town Planning Department supports the Group's proposal in principle. On 11 October 2019, the Xiangzhou District Government organised a meeting with the Group and various government departments including the Land Department and the Town Planning Department, where the town plan of the Qianshan Land proposed by the Group was discussed. The Group is waiting for the feedback from relevant government departments.



## *Zhuhai Doumen*

The Group filed an administrative proceeding with the People’s Court of Jinwan District, Zhuhai (“珠海市金灣區人民法院”, the “Jinwan People’s Court”) on 16 October 2019 against the local government departments for their failure to provide reasonable compensation to the Group in relation to the repurchase of the parcel of exhibition and commercial-use land located in Doumen District, Zhuhai (the “Doumen Land”). Through the written judgement dated 27 December 2019, the Jinwan People’s Court held that the resumption of the Doumen Land by the Zhuhai Natural Resources Bureau (“珠海市自然資源局”) without providing compensation to the Group was unlawful and ordered it to compensate the Group for its recovery of the Doumen Land within 60 days after the date on which the judgment became enforceable (22 January 2020).

The Zhuhai Natural Resources Bureau notified the Group in writing on 6 May 2020 that it was unable to fulfill its compensation obligations before the deadline specified by the Jinwan People’s Court due to the COVID-19 pandemic, but it indicated that it will speed up the compensation process.

As of the date of approval of these condensed consolidated interim financial statements, the Group has not reached an agreement with the local government departments on the amount of compensation for the Doumen Land, but it is not expected to have a material negative impact on the daily operations or trading position of the Group.

## FINANCIAL INVESTMENTS

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

As of 30 June 2020, the Group held approximately HK\$805 million (as of 31 December 2019: HK\$1,044 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity investments were held by the Group for long-term investment purpose and to receive dividend income.

The Group's equity investments recorded a net fair value loss of approximately HK\$239million (2019: gain of HK\$71 million) when marking the investment portfolios to market valuation as of 30 June 2020, along with dividend income of approximately HK\$1 million (2019: HK\$19 million).

The equity investments held by the Group as at 30 June 2020 were as follows:

Stock Code	Company Name	Principal Business	Number of	Percentage	Investment cost	Realised	Unrealised	Dividend income	Fair value/ carrying amount	Percentage
			shares held as at 30 June 2020	of shareholding as at 30 June 2020		Gain on change in fair value for the period ended 30 June 2020	Gain/(Loss) on change in fair value for the period ended 30 June 2020			to the Company's total asset as at 30 June 2020
			'000	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2800	Tracker Fund of Hong Kong	Collective investment fund, structured as a unit trust established under Hong Kong law, provide investment results that closely correspond to the performance of the Hang Seng Index.	7,850	0.23	196,381	-	(27,868)	707	195,465	1.59
5	HSBC Holdings plc	Banking and financial services, manages its products and services through four businesses: Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M), and Global Private Banking (GPB).	5,743	0.03	385,760	-	(141,556)	-	207,885	1.70
2828	Hang Seng China Enterprises Index ETF	Sub-fund of the Hang Seng Investment Index Funds Series, a unit trust established as an umbrella fund under the laws of Hong Kong, which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.	2,664	1.18	337,354	-	(38,255)	-	263,842	2.15

Stock Code	Company Name	Principal Business	Percentage of shareholding as at 30		Investment cost HK\$'000	Realised	Unrealised	Dividend income for the period ended 30 June 2020 HK\$'000	Fair value/ carrying amount as at 30 June 2020 HK\$'000	Percentage to the Company's total asset as at 30 June 2020 %
			Number of shares held as at 30 June 2020 '000	June 2020 %		Gain on change in fair value for the period ended 30 June 2020 HK\$'000	Gain/(Loss) on change in fair value for the period ended 30 June 2020 HK\$'000			
3988	Bank of China Limited	Banking and financial services, a China-based company principally engage in the provision of banking and related financial services.	29,300	0.04	101,558	-	(13,478)	-	84,091	0.69
941	China Mobile Limited	Telecommunication and Services, a China-based company principally engage in telecommunication and related businesses including mobile businesses, wireline Broadband businesses and Internet of Things (IoT) businesses.	340	0.00	31,219	-	(4,488)	585	17,782	0.15
2628	China Life Insurance Company Limited	Life insurance, a China-based company principally engage provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products.	1,000	0.01	29,741	-	(6,050)	-	15,600	0.13
857	PetroChina Co. Ltd.	Petroleum and gases, a China-based company principally engage in the production and distribution of oil and gas.	2,378	0.01	24,819	-	(3,186)	-	6,111	0.05
	Other listed securities <sup>#</sup>				56,014	-	(4,385)	159	13,945	0.11
						-	(239,266)	1,451	804,721	6.57

<sup>#</sup> Other listed securities mainly represented the Group's investment in 14 companies whose shares were 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 2020.

As at 30 June 2020, 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.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Save as disclosed in Note 11 “Events After the Reporting Period” to the condensed consolidated interim financial statements, the Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended 30 June 2020.

## 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 2020, 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\$805 million (as of 31 December 2019: HK\$1,044 million) as of 30 June 2020. The Group’s cash and cash equivalents as of 30 June 2020 amounted to approximately HK\$523 million (as of 31 December 2019: HK\$539 million).

As of 30 June 2020, the Group had total bank and other borrowings amounting to approximately HK\$1,762 million (as of 31 December 2019: HK\$1,832 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 2020 was as follows:

	<i>HK\$’000</i> (Unaudited)
Within one year	371,628
In the second year	810,000
In the third to fifth years, inclusive	<u>580,000</u>
Total	<u><u>1,761,628</u></u>

With the total bank and other borrowings of approximately HK\$1,762 million (as of 31 December 2019: HK\$1,832 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$10,672 million (as of 31 December 2019: HK\$10,964 million), the Group's gearing ratio as at 30 June 2020 was around 17% (as of 31 December 2019: 17%).

## **CONTINGENT LIABILITY**

As of 30 June 2020, the Group had no material contingent liability.

## **COMMITMENTS**

As of 30 June 2020, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$43 million (as of 31 December 2019: HK\$43 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As of 30 June 2020, 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 (2019: HK\$7 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**

Tenants' affordability and market demand for local industrial and commercial properties have been declining amid the outbreak of the COVID-19 pandemic. As it is unlikely that the decline will be reversed in the short-term, the income of the Group from such properties may continue to be under pressure in the second half of the year. However, the Group's businesses in the PRC remained stable during the pandemic, both rental income and vacancy rate were close to the corresponding period last year. The management of the Group believes that unless being affected by unforeseeable factors, the performance of the Group's operations in the PRC will be maintained in the second half of 2020.

Factors including the worldwide outbreak of the COVID-19 pandemic, economic and monetary policies implemented by governments to stimulate economy, and the rapid deterioration of the China-US relations had dominated global financial markets in the first half of 2020. The aforesaid factors will very likely continue to affect the returns on the Group's equity investment portfolio in the second half of the year, the Group will continue to closely monitor market conditions and will take timely measures to ensure that the relevant risks are under control.

Although the COVID-19 pandemic has caused massive destruction to Hong Kong's economy, the financial position of the Group remains sound. The management of the Group believes that adopting a prudent financial management and investment strategy under the current unfavourable economic conditions, including to further strengthen the Group's liquidity through cash preservation, will ensure that the Group be capable of handling the challenges posed by the pandemic crisis.

### **EVENTS AFTER THE REPORTING PERIOD**

Details of events after the reporting period are set out in Note 11.

### **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 2020.

### **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 2020.

### **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 2020, 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.

## **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 2020.

## **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, 27 August 2020