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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 2022**

#### **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 2022, together with the comparative figures as follows:

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

For the six months ended 30 June 2022

		<b>For the six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>REVENUE</b>	3	<b>134,601</b>	131,546
Cost of sales		<u>(20,796)</u>	<u>(24,826)</u>
Gross profit		<b>113,805</b>	106,720
Other income and gains	3	<b>11,571</b>	11,775
Foreign exchange differences, net		<b>60</b>	38
Loss on disposal of investment properties		<b>–</b>	(471)
Fair value changes on financial assets at fair value through profit and loss, net		<b>16,195</b>	49,132
Operating and administrative expenses		<b>(17,445)</b>	(19,852)
Finance costs	5	<u><b>(10,924)</b></u>	<u>(8,436)</u>
<b>PROFIT BEFORE TAX</b>	4	<b>113,262</b>	138,906
Income tax expense	6	<u><b>(6,651)</b></u>	<u>(5,721)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>106,611</b></u>	<u>133,185</u>

		<b>For the six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b><i>(Unaudited)</i></b>	<i>(Unaudited)</i>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>88,249</b>	109,568
Non-controlling interests		<b>18,362</b>	23,617
		<u><b>106,611</b></u>	<u>133,185</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	8	<u><b>HK10.56 cents</b></u>	<u>HK13.11 cents</u>

Details of interim dividend are disclosed in note 7.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>106,611</b>	133,185
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(2)</b>	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>106,609</b>	133,185
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	<b>88,247</b>	109,568
Non-controlling interests	<b>18,362</b>	23,617
	<b>106,609</b>	133,185

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	As at <b>30 June 2022</b> <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		266,013	267,423
Investment properties		11,252,858	11,232,245
Right-of-use assets		344	348
Club debenture		330	330
		11,519,545	11,500,346
<b>TOTAL non-current assets</b>			
<b>CURRENT ASSETS</b>			
Properties held for sale		281,851	281,851
Trade receivables	9	10,000	9,260
Prepayments, deposits and other receivables		255,334	255,092
Financial assets at fair value through profit or loss		832,234	828,301
Cash and cash equivalents		801,440	462,389
		2,180,859	1,836,893
<b>TOTAL current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	10	550	1,659
Other payables and accruals		176,270	194,180
Deposits received		76,743	74,004
Interest-bearing bank and other borrowings		1,777,000	1,487,000
Tax payable		60,780	55,685
		2,091,343	1,812,528
<b>TOTAL current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>89,516</b>	24,365
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,609,061</b>	11,524,711

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Amount due to a director	<b>256,585</b>	256,001
Deferred tax liabilities	<b>1,415,321</b>	1,415,321
	<hr/>	<hr/>
Total non-current liabilities	<b>1,671,906</b>	1,671,322
	<hr/>	<hr/>
<b>Net assets</b>	<b>9,937,155</b>	9,853,389
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Issued capital	<b>41,804</b>	41,804
Reserves	<b>8,101,149</b>	8,033,804
	<hr/>	<hr/>
	<b>8,142,953</b>	8,075,608
Non-controlling interests	<b>1,794,202</b>	1,777,781
	<hr/>	<hr/>
<b>Total equity</b>	<b>9,937,155</b>	9,853,389
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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 2021 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 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs	<i>Annual improvements to HKFRs 2018-2020</i>

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three (six months ended 30 June 2021: three) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the provision of serviced apartment and property management services segment; and
- (c) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that unallocated corporate expenses, interest income on bank deposits, loss on disposal of investment properties, other gains and non-lease-related finance costs are excluded from such measurement.

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	
	For the six months ended 30 June							
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue:</b>								
Revenue from external customers	<u>104,986</u>	<u>97,919</u>	<u>19,920</u>	<u>18,219</u>	<u>9,695</u>	<u>15,408</u>	<u>134,601</u>	<u>131,546</u>
<b>Segment results</b>	<u>91,210</u>	<u>79,973</u>	<u>3,535</u>	<u>(2,906)</u>	<u>25,181</u>	<u>62,956</u>	<u>119,926</u>	<u>140,023</u>
<i>Reconciliation:</i>								
Unallocated corporate expenses							(7,311)	(3,985)
Interest income on bank deposits							3,488	1,491
Loss on disposal of investment properties							-	(471)
Other gains							8,083	10,284
Finance costs							<u>(10,924)</u>	<u>(8,436)</u>
Profit before tax							<u>113,262</u>	<u>138,906</u>

### Geographical information

	Hong Kong		Mainland China		Total	
	For the six months ended 30 June					
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>45,165</u>	<u>51,582</u>	<u>89,436</u>	<u>79,964</u>	<u>134,601</u>	<u>131,546</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 2022 and 2021.

### 3. REVENUE , OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<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 services	<u>19,920</u>	<u>18,219</u>
<i>Revenue from other sources</i>		
Rental income from property letting under fixed lease payments	<b>104,986</b>	97,919
Dividend income from listed equity investments	<u>9,695</u>	<u>15,408</u>
	<u>114,681</u>	113,327
	<b>134,601</b>	<b>131,546</b>

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

##### *(a) Disaggregation of revenue information*

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<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 services	<u>19,920</u>	<u>18,219</u>
By geographical locations:		
Hong Kong	<b>499</b>	686
Mainland China	<u>19,421</u>	<u>17,533</u>
	<u>19,920</u>	<u>18,219</u>

##### *(b) Performance obligations for contracts with customers*

Serviced apartment and property management services income is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. 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.



## Other income and gains

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank balances	3,488	1,491
Others	8,083	10,284
	<u>11,571</u>	<u>11,775</u>

## 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,467	1,915
Depreciation of right-of-use assets	4	4
Foreign exchange differences, net	(60)	(38)
	<u>1,411</u>	<u>1,881</u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and benefits in kind	7,012	6,777
Pension scheme contributions (defined contribution scheme)	146	150
	<u>7,158</u>	<u>6,927</u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans	10,924	8,436

## 6. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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 rate of tax prevailing in Mainland China, in which the Group operates. Pursuant to the relevant PRC tax laws and regulations, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income if such non-resident enterprise does not have an establishment or place in the PRC. The Group's subsidiaries incorporated in Hong Kong and engaged in the property investment in the PRC does not have an establishment or place in the PRC. As a result, those subsidiaries is subject to a 10% enterprise income tax on PRC-sourced income.

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	907	–
Current – Mainland China		
Charge for the period	5,744	5,721
Total tax charge for the period	6,651	5,721

## 7. DIVIDENDS

(a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for 2021 paid – HK2.5 cents (2021: 2020 final dividend of HK2.5 cents) per ordinary share	20,902	20,902

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interim dividend declared – HK2 cents (2021: HK2 cents) per ordinary share	<b>16,721</b>	16,721

The Board declared an interim dividend of HK2 cents per ordinary share at the meeting held on 30 August 2022. Dividend warrants will be posted on or about 20 October 2022 to shareholders whose names appear on the register of members of the Company on 30 September 2022.

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\$88,249,000 (2021: profit for the period of approximately HK\$109,568,000) and the weighted average number of ordinary shares of 836,074,218 (2021: 836,074,218 shares).

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

## 9. TRADE RECEIVABLES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>10,000</b>	9,260

Trade receivables mainly consist 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 2022 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (Audited)</b>
Within 1 month	1,559	1,542
1 to 2 months	1,066	947
2 to 3 months	126	253
Over 3 months	7,249	6,518
	<u>10,000</u>	<u>9,260</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 2022 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (Audited)</b>
Within 1 month	550	1,659

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 28 September 2022 to Friday, 30 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 27 September 2022. The interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 30 September 2022 and the payment date will be on or about Thursday, 20 October 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATIONS**

#### **PROPERTY INVESTMENT**

##### **Hong Kong**

The Group's investment properties in Hong Kong mainly comprise office buildings, industrial buildings, retail shops and car parks. These investment properties contributed stable rental revenue of approximately HK\$35 million for the six months ended 30 June 2022 (2021: HK\$35 million).

##### **Shanghai, China**

The Group's investment property portfolio in Shanghai, China comprises three residential complexes operating under the brand name of "Windsor Renaissance", which consist of around 182 blocks of hotel-serviced villas and 132 hotel-serviced apartments in total. Windsor Renaissance is regarded as a symbol of high quality hotel-serviced villas and apartments in Shanghai, and is well recognised by consulates and management of foreign business entities. These properties in Shanghai had an average occupancy rate of approximately 90% and generated rental and management fee revenue of approximately HK\$89 million for the six months ended 30 June 2022 (2021: HK\$80 million).

## **Zhuhai, China**

### *Qianshan, Zhuhai*

The Group has a plot of 36,808 square meters commercial use land in Qianshan, Zhuhai, where a few existing residents have not yet relocated. Local government is responsible for relocation work, but the progress has been very slow.

To speed up the relocation progress, the Group has proposed to local government an adjustment in planning that a portion of such commercial use land be allocated for building residential units for in situ resettlement of existing residents. However, such proposal requires coordination among a number of government departments, for example, the change of land use planning. The Group is currently waiting for comments and approval from relevant government departments.

### *Doumen, Zhuhai*

On 24 February 2021, 珠海市自然資源局 (literally translated as Zhuhai Municipal Natural Resources Bureau) issued its latest compensation notice (letter reference number (2021)52) in respect of the resumption of the 94,110.84 square meters hotel, commercial and exhibition use land located in Doumen, Zhuhai (the “Doumen Land”) which was previously owned by the Group, the amount of compensation was RMB205,538,078.

The management considered that the Zhuhai Municipal Natural Resources Bureau had no legal basis to make the above compensation decision and was against legal procedures. The Zhuhai Municipal Natural Resources Bureau not only failed to specify relevant legal basis on the above compensation notice, it also once again hired valuation agency unilaterally without the Group’s consent, and submitted to such agency information which had not been confirmed by the Group as the basis for making assessment. As a result, the assessment for the Doumen Land’s value was substantially inaccurate and thus was unfair to the Group. To protect the Group’s legitimate interests, the Group has engaged lawyers to file administrative complaints against local government departments including the Zhuhai Municipal Natural Resources Bureau, 珠海市斗門區人民政府 (literally translated as People’s Government of Zhuhai Doumen District), and 珠海市斗門區井岸鎮人民政府 (literally translated as People’s Government of Zhuhai Doumen District Jingan Town).

On 25 February 2022, the local primary court issued its judgement on an administrative proceeding filed by the Group to set aside the compensation notice (letter reference number (2021)52) issued by the Zhuhai Municipal Natural Resources Bureau. The Zhuhai Municipal Natural Resources Bureau refused to accept the above judgement and lodged an appeal. The second instance trial of the case was held on 21 June 2022 in the local intermediate court and the Group is still waiting for the court’s judgement on the second instance trial.

As of the date of approval of these condensed consolidated financial statements, the Group has not reached an agreement with the Zhuhai Municipal Natural Resources Bureau on the amount of compensation available to the Group in respect of the resumption of the Doumen Land. Nevertheless, no material negative impact on the daily operations and the financial position of the Group is expected.

## FINANCIAL INVESTMENTS

As of 30 June 2022, the Group held approximately HK\$832 million (31 December 2021: HK\$816 million) of highly liquid equity investments consisted mainly of blue chips stocks and Exchange Traded Funds listed in Hong Kong. These equity investments were held by the Group for long-term investment purpose and earning dividend income.

The Group's equity investments recorded a net fair value gain of approximately HK\$16 million (2021: HK\$49 million) when marking the investment portfolio to market valuation as of 30 June 2022, along with dividend income of approximately HK\$10 million (2021: HK\$15 million).

The equity investments held by the Group as at 30 June 2022 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 2022	of shareholding as at 30 June 2022		change in fair value for the period ended 30 June 2022	gain/(loss) on change in fair value for the period ended 30 June 2022			to the Company's total asset as at 30 June 2022
			'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	0.15	196,381	-	(9,734)	628	174,898	1.28
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	-	27,278	8,107	296,608	2.16

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	of shareholding as at 30		gain on change in fair value for the period ended 30	gain/(loss) on change in fair value for the period ended 30			to the Company's total asset as at 30
			June 2022	June 2022	HK\$'000	June 2022	June 2022	June 2022	June 2022	June 2022
			'000	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
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	0.82	337,354	-	(15,398)	-	207,100	1.51
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	-	9,376	-	91,709	0.67
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	-	748	826	16,660	0.12
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	-	740	-	13,660	0.10
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	-	642	-	8,893	0.06
	Other listed securities <sup>#</sup>				56,014	-	2,543	134	22,706	0.17
						-	16,195	9,695	832,234	6.07

<sup>#</sup> Other listed securities mainly comprised equity investments in 11 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 2022.



The Board acknowledges that the performance of the equity investments could be affected by factors such as the worldwide economy and volatility in the Chinese and Hong Kong stock markets, and is 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 in market condition. The Group will adjust its portfolio of investments as the Board considers appropriate.

## **FINANCIAL REVIEW**

The Group recorded a decline in profit of approximately 20% for the six months ended 30 June 2022 to approximately HK\$107 million (2021: HK\$133 million). The decline in profit was mainly due to the decrease in unrealised fair value gain and dividend income on equity investments.

In the first half of 2022, the Group's rental and property management services income increased by approximately 7% to approximately HK\$124 million (2021: HK\$116 million). During the period under reporting, rental income from Hong Kong amounted to approximately HK\$35 million (2021: HK\$35 million); rental and management fee income from hotel-serviced apartments and villas in Shanghai increased by approximately 11% to approximately HK\$89 million (2021: HK\$80 million).

During the six months ended 30 June 2022, the Group's equity investments recorded an unrealised fair value gain of approximately HK\$16 million (2021: HK\$49 million) and dividend income of approximately HK\$10 million (2021: HK\$15 million), represented a year-on-year decrease of approximately 67% and 33% respectively.

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

The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended 30 June 2022.

## **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 2022, the Group had no 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 of approximately HK\$832 million (31 December 2021: HK\$816 million) as of 30 June 2022. The Group's cash and cash equivalents as of 30 June 2022 amounted to approximately HK\$801 million (31 December 2021: HK\$462 million).

As of 30 June 2022, the Group had total bank and other borrowings amounted to approximately HK\$1,777 million (31 December 2021: HK\$1,487 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 2022 was as follows:

	<i>HK\$'000</i> (Unaudited)
Within one year	627,900
In the second year	20,900
In the third to fifth years, inclusive	<u>1,128,200</u>
Total	<u><u>1,777,000</u></u>

With the total bank and other borrowings of approximately HK\$1,777 million (31 December 2021: HK\$1,487 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$11,714 million (31 December 2021: HK\$11,340 million), the Group's gearing ratio as at 30 June 2022 was around 15% (31 December 2021: 13%).

## CONTINGENT LIABILITY

As of 30 June 2022, the Group had no material contingent liability.

## COMMITMENTS

As of 30 June 2022, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$4 million (31 December 2021: HK\$5 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As of 30 June 2022, the Group had approximately 200 employees in Shanghai, Zhuhai and Hong Kong. During the period, the staff costs (including directors' emoluments) amounted to approximately HK\$7 million (2021: 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**

Hong Kong reported year-on-year contraction in gross domestic product in both of the first two quarters of 2022. Adverse factors that hindered Hong Kong's as well as the global economic recovery in the first half of the year, such as the COVID-19 pandemic situation, geopolitical conflict, the sharp rise in inflation, and the interest rate hikes expectation, have shown no sign of abating.

### **Property investment**

The Group's rental income from Hong Kong decreased in the first half of 2022 compared with the corresponding period last year. Although the Hong Kong government has been proactively implementing economy-boosting measures, which include the launch of consumer voucher scheme and the relaxation of hotel quarantine requirements for inbound travellers, the local economy continues to be fragile. As tenants' demand and affordability are expected to remain weak in the coming months or even year, there is unlikely a substantial improvement in the Group's performance in Hong Kong in the second half of the year.

In the Mainland China, despite the months-long city-wide lockdown in Shanghai in early 2022, the Group's operations in the city has not been significantly affected. Provided that there is no material change in the current operating conditions, the Group's rental income from the Mainland China is expected to remain stable for the rest of 2022.

## **Financial investment**

The recent financial market volatility has caused the value of the Group's listed securities portfolio to rise or fall sharply from time to time, and has therefore affected the Group's overall results to a considerable extent. Under normal circumstances, unrealised fair value gain or loss on listed securities portfolio has no material direct impact on cash flow. Nevertheless, the Group will manage its financial investment cautiously and will take appropriate measures to address the related risks.

The Group will pay close attention to changes in its operating environment, and will adjust its investment strategies and operations in a timely manner to cope with such changes. The Group is confident that its financial position will continue to be relatively stable amid the uncertain economic outlook.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events which may materially affect the Group's operations and financial performance subsequent to 30 June 2022 and up to the date of this announcement.

## **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 2022.

## **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 2022.

## **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 (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 2022, save as disclosed below.

Under code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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 2022.

## **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. Lo Mun Lam, Raymond, Mr. Lo Kam Cheung, Patrick and Mr. Tsui Ka Wah.

By Order of the Board  
**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 30 August 2022