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WING LEE PROPERTY INVESTMENTS LIMITED

永利地產發展有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 864)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board of directors (the “Board”) of Wing Lee Property Investments Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022, together with comparative figures for the corresponding period ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended	
		30.6.2022	30.6.2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	3	14,107	13,766
Direct operating expenses		(617)	(486)
		13,490	13,280
Other income		499	652
Net changes in fair value of investment properties	9	(12,910)	(24,423)
Administrative expenses		(5,037)	(2,541)
Finance costs	4	(993)	(1,087)
Loss before taxation	5	(4,951)	(14,119)
Taxation	6	(1,637)	(1,541)
Loss for the period		(6,588)	(15,660)
Other comprehensive expense for the period			
Item that will not be reclassified subsequently to profit or loss:			
Equity investments of FVOCI-net movement in fair value reserves (non-recycling)		(4,510)	(4,008)
Total comprehensive expense for the period		(11,098)	(19,668)
Loss per share - basic and diluted	7	(HK\$0.017)	(HK\$0.041)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30.6.2022 <i>HK\$'000</i> (unaudited)	31.12.2021 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	9	881,400	894,310
Other property, plant and equipment	10	12,529	12,780
Deferred lease receivables	12	76	109
Other financial assets	11	99,957	104,467
		993,962	1,011,666
Current assets			
Lease and other receivables	12	1,085	1,027
Current tax recoverable		–	30
Cash and cash equivalents		50,781	45,266
		51,866	46,323
Current liabilities			
Deposits received and other payables	13	9,119	12,316
Bank loans – due within one year		42,770	33,624
Income tax payable		3,008	1,567
		54,897	47,507
Net current liabilities		(3,031)	(1,184)
Total assets less current liabilities		990,931	1,010,482
Non-current liabilities			
Bank loans – due after one year		59,622	70,814
Deferred taxation liabilities		3,320	3,154
		62,942	73,968
Net assets		927,989	936,514
Capital and reserves			
Share capital	14	3,862	3,862
Reserves		924,127	932,652
Total equity		927,989	936,514

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

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

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of coronavirus disease (COVID-19) and the subsequent quarantine measures as well as the travel restrictions imposed by various countries have had negative impacts on the economic environment which has affected the operations of the Group. Under these circumstances, the Group provided rent concessions to certain lessees. As such, the financial positions and performance of the Group were affected in different aspects, including causing a net decrease in fair value of the investment properties.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, investment in equity instrument designated at fair value through other comprehensive income (“FVOCI”) and investment in equity instrument at fair value through profit or loss that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases
Amendments to HKFRS 3	Reference to the Conceptual Framework

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

3. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on properties investment. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors"), the chief operating decision maker of the Group. The Executive Directors regularly review revenue analysis by locations of the investment properties and relevant types of properties which generate rental income as presented below, and hence no analysis of this single operating segment is presented. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective locations. The Executive Directors review the overall results of the Group as a whole to make decisions about resources allocation.

Revenue represents the rental income received from operating leases.

An analysis of the Group's revenue by geographical locations of the investment properties and relevant types of properties which generate rental income are as follows:

	Revenue from external customers	
	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong		
Hong Kong Island:		
Commercial	7,541	7,286
Residential	75	–
Kowloon:		
Commercial	3,334	3,314
Residential	1,698	1,629
Industrial	1,459	1,437
Mainland China		
Shenzhen:		
Commercial	–	100
	14,107	13,766

4. FINANCE COSTS

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on bank loans	<u>993</u>	<u>1,087</u>

5. LOSS BEFORE TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	251	251
Equity-settled share-based payment expenses	2,573	–
and after crediting:		
Interest income (included in other income)	<u>106</u>	<u>165</u>

6. TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Hong Kong Profits Tax		
– Current period	1,471	1,355
Mainland China Enterprise Income Tax	–	12
Deferred taxation charge	<u>166</u>	<u>174</u>
	<u>1,637</u>	<u>1,541</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

9. INVESTMENT PROPERTIES

	30.6.2022	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
FAIR VALUE		
At beginning of the period	894,310	904,505
Additions	–	7,186
Disposals	–	(19,410)
Net (decrease)/increase in fair value	(12,910)	2,029
	<hr/>	<hr/>
At end of the period	881,400	894,310
	<hr/> <hr/>	<hr/> <hr/>

The carrying value of investment properties shown above situated on:

	30.6.2022	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Land in Hong Kong	881,400	894,310
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's investment properties at 30 June 2022 and at 31 December 2021 have been arrived at on the basis of valuations carried out by RHL Appraisal Limited ("RHL"), an independent firm of professional valuers not related to the Group whose address is at Room 1010, Star House, Tsimshatsui, Kowloon, Hong Kong.

The valuations as at 30 June 2022 and 31 December 2021 have been arrived at by using direct comparison method by making reference to comparable market transactions as available.

All of the Group's investment properties were assumed to be recovered through sales and deferred tax liabilities in respect of fair value changes on investment properties have been estimated taking into account this assumption. The Group has not recognized deferred tax liabilities in relation to changes in fair value of the investment properties that are situated in Hong Kong during the six months ended 30 June 2022 and 2021 as the Group is not subject to any income taxes on disposal of its investment properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

10. OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, there was no new addition of property, plant and equipment (2021: nil).

11. OTHER FINANCIAL ASSETS

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Equity instrument designated at FVOCI (non-recycling)		
Unlisted partnership investment	99,957	104,467

The balance represents 10% equity interest in Epic Capital Development Fund I, L.P. (“Epic Fund”), a private limited partnership entity established in the Cayman Islands. The principal activity of Epic Fund is redevelopment of properties located in Hong Kong. The directors of the Company have elected to designate the investment in equity instrument as a FVOCI (non-recycling) as they believe that recognising short-term fluctuations in the investment in profit or loss would not be consistent with the Group’s strategy of holding the investment for long term investment purpose and realising the performance potential in the long run. No dividends were received on this investment during the six months ended 30 June 2022 (2021: Nil).

12. LEASE AND OTHER RECEIVABLES

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Lease receivables	470	1
Deferred lease receivables (see note below)	254	404
Other receivables, deposits and prepayments	437	731
	1,161	1,136
Less: non-current portion of deferred lease receivables	(76)	(109)
	1,085	1,027

Note:

Deferred lease receivables represent the accumulated difference between effective rental revenue and actual invoiced rental amount.

Included in lease and other receivables, deferred lease receivables of approximately HK\$76,000 (31 December 2021: HK\$109,000) are expected to be recovered over one year and classified as non-current assets, the other lease and other receivables are expected to be recovered or recognised as expense within one year.

The following is an aged analysis of rental receivables (presented based on rental demand notices issued on the first calendar day of each month) at the end of the reporting period:

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Age		
0 – 90 days	<u>470</u>	<u>1</u>

No credit period was granted to tenants of rental of premises. Before accepting any new tenants, the Group will internally assess the credit quality of the potential tenants.

13. DEPOSITS RECEIVED AND OTHER PAYABLES

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Rental deposits received	8,075	8,004
Accrued expenses	613	3,917
Other payables	431	395
	<u>9,119</u>	<u>12,316</u>

The amount of accrued expenses, rental deposits received and other payables are expected to be settled or recognised as income after more than one year is HK\$4,197,000 (31 December 2021: HK\$3,731,000). All of the other accrued expenses, rental deposits received and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

14. SHARE CAPITAL

	Number of shares	Amount in HK\$	Shown in the condensed consolidated financial statements HK\$'000
Issued and fully paid:			
At 30 June 2021, 31 December 2021 and 30 June 2022	<u>386,175,758</u>	<u>3,861,757</u>	<u>3,862</u>
Ordinary shares			
Authorized:			
At 30 June 2021, 31 December 2021 and 30 June 2022 (HK\$0.01 each)	<u>1,000,000,000</u>	<u>10,000,000</u>	

There were no movements in the share capital of the Company for the six months ended 30 June 2022.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Other than the financial assets carried at fair value as detailed in the following table, the directors of the Company consider that the carrying amounts of other financial instruments that are recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

Financial assets	Fair value as at 30 June 2022 HK\$'000 (Unaudited)	Fair value as at 31 December 2021 HK\$'000 (Audited)	Fair value hierarchy
Investment in equity instrument designated at FVOCI	99,957	104,467	Level 3

There were no transfers between Levels 1, 2 and 3 during the period.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range/weighted average of input	Relationship of unobservable inputs to fair value
Unlisted equity instrument	Adjusted net asset approach	Gross development value	16,600	note 1
		(HK\$/sq. ft)	(2021: 17,400)	
		Developer's profit margin	9%	note 2
		Construction cost	2,656	note 3
		(Unit Rate) (HK\$/sq. ft)	(2021: 3,026)	

The fair value of unlisted equity instrument is determined by adjusted net asset method with reference to fair value of the related property under development assessed by an independent professional valuer. The fair value of the related property under development is based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developers profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

Notes:

1. The higher the gross development value, the higher the fair value.
2. The higher the developer's profit margin, the lower the fair value.
3. The higher the construction cost, the lower the fair value.

Note: The above valuation was performed based on redevelopment basis under existing lease condition.

The movements during the period in the balance of this Level 3 fair value measurement are as follows:

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted equity instrument:		
At beginning of the period	104,467	27,067
Payment for capital injection	–	33,742
Net unrealised (losses) or gains recognised in other comprehensive income during the period	(4,510)	43,658
	<u> </u>	<u> </u>
At end of the period	99,957	104,467
	<u> </u>	<u> </u>

Any gain or loss arising from the remeasurement of the Group's unlisted equity instrument held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity instrument, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

16. RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes, the Group had the following related party transactions/balances:

During the six months ended 30 June 2022, the Group has leased two of its properties to a company which is wholly owned by Mr. Chow Tak Hung (spouse of Ms. Chau Choi Fa, the chairperson and executive director of the Company), Ms. Wong Siu Wah (the chief executive officer and executive director of the Company), and Ms. Chow Woon Yin (an executive director of the Company) and rental income of approximately HK\$786,000 (six months ended 30 June 2021: HK\$694,000) has been received. As at 30 June 2022, the Group has rental deposit from the leases in the aggregated amount of HK\$393,000 (31 December 2021: HK\$393,000) and such amount is included in rental deposits received as set out in note 12.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the business of property investment and leasing of commercial and residential properties in Hong Kong. As at 30 June 2022, the Group held an investment property portfolio of 37 properties located in Hong Kong.

The aggregate market value of the Group's investment properties amounted to approximately HK\$881.4 million as at 30 June 2022 (31 December 2021: approximately HK\$894.3 million). This decrease was due to a net decrease in fair value of the investment properties of approximately HK\$12.9 million. During the six months ended 30 June 2022 (the "Period"), there was no new addition or disposal of investment property.

The Group's revenue for the Period, mainly consisting of gross rental income from the Group's investment properties, amounted to approximately HK\$14.1 million (2021: approximately HK\$13.8 million), representing an increase of approximately 2.5% in comparison to the corresponding period in 2021 as all our retail properties have been fully leased out as at 30 June 2022. The Group's investment properties were 99.7% occupied as at 30 June 2022.

As at 30 June 2022, the Group continued to hold a 10% investment in Epic Capital Development Fund I, L.P. (the "Fund"), an exempted limited partnership established in the Cayman Islands that is engaged in a property redevelopment project at No. 32 Hung To Road, Kwun Tong, Kowloon (the "Fund Property"). Reference is made to the investment in the Fund which was announced by the Company as a discloseable transaction on 24 July 2018. As at 30 June 2022, the foundation has been laid on the site and the super structure construction is in progress. The Fund Property completed the lease modification from industrial use to commercial use in 2021. The Fund Property has a site area of approximately 9,805 square feet and the total attributable gross floor area upon redevelopment is approximately 146,900 square feet. The Fund Property is being redeveloped to an office building, with an anticipated year of completion in 2024. Due to the continuous disruptions caused by COVID-19, office property values in Kwun Tong decreased for the Period under review, causing the fair value of the Fund Property and the Fund to decrease as at 30 June 2022. As at 30 June 2022, the fair value of the investment of the Fund was approximately HK\$100.0 million (31 December 2021: approximately HK\$104.5 million).

Save for the investment properties held by the Group and the investment in the Fund, there was no other significant investment held during the Period. The Group did not introduce or announce any new business or services during the Period.

PROSPECTS

The COVID-19 pandemic has affected Hong Kong for almost three years now and it is expected that the pandemic may continue to affect Hong Kong in the near future. During the Period, the fifth wave of COVID-19 hit the city and the Hong Kong Government imposed stringent social distancing measures again which contributed to a downward trend in the Hong Kong retail property market. It is anticipated that the Hong Kong Government will sporadically implement restrictive COVID-19 measures should cases rise, which will continue to adversely affect the Hong Kong retail industry. The aforementioned coupled with hikes in interest rates will cause a double blow to the Hong Kong property market. Under such tough retail business and economic environment, the Group was inevitably affected with a decrease in the fair value of the investment properties. Despite the challenging economic environment, the Group remains cautiously optimistic about the Hong Kong property market in light of Hong Kong's solid economic foundation.

It is anticipated that rental income of the Group in the second half of 2022 is likely to be affected by the continuing disruption caused by COVID-19. On the other hand, the Hong Kong economy saw a visible recovery in the first half of 2022, with the decline in GDP narrowing. With the continued roll-out of the vaccination programme extended to children and the Hong Kong Government's Consumption Voucher Scheme, it is hopeful that local consumption will return to the pre-COVID-19 level and further support the leasing market. Fortunately, up to now, the Group's portfolio continues to maintain high occupancy rates as our Group has a diverse tenant mix with tenants from different industries. To maintain the occupancy rates, the Group will continue to closely monitor the economic developments and property market changes and make rental policy adjustments accordingly. We will closely communicate with our tenants and continue to support them during difficult times.

In the Group's efforts to maintain its competitiveness and ensure shareholder returns, the Group has been cautiously exploring opportunities to diversify its business beyond the rental property market. The Group continues to gain property redevelopment experience from its investment in the Fund that is engaged in a property redevelopment project of the Fund Property. The Group is optimistic about the potential redevelopment and appreciation in value of the relevant property following the redevelopment and believes that the investment in the Fund will bring positive returns to the Group in the long run.

Currently, the Group does not have plans for any material investments or acquisitions of capital assets. Due to market uncertainties, the Group will continue to maintain a conservative treasury policy.

The Group will continue to cautiously explore and expand its investment portfolio and may look beyond the Hong Kong region for investment opportunities in efforts to maintain its competitiveness.

RESULTS

The Group's total comprehensive expense for the Period attributable to owners of the Company amounted to approximately HK\$11.1 million (2021: approximately HK\$19.7 million). Total comprehensive expense for the Period was mainly attributable to a decrease in the net changes in fair value of the Group's investment properties which reflects the general market conditions of the commercial retail and residential investment property market in Hong Kong during the Period and the net movement in fair value reserves from the Fund.

Loss per share for the six months ended 30 June 2022 was HK\$0.017 (2021: HK\$0.041), representing a reduce in loss of approximately HK\$0.024 per share from the corresponding period last year.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 30 June 2022, the net current liabilities of the Group amounted to approximately HK\$3.0 million (31 December 2021: net current liabilities of approximately HK\$1.2 million). The current ratio, expressed as current assets over current liabilities, was approximately 0.94 (31 December 2021: approximately 0.98). Net current liabilities was generated as one of the bank loan is due within the current year, thus increasing the Group's net current liabilities position. After taking into account the available banking facilities as at 30 June 2022, and the estimated cash flows generated from the Group's operations, the directors of the Company ("Directors") are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. As such, the management believes that the Group is well positioned with sufficient operating funds to manage its existing operations and investment plans. The management will continue to implement all necessary measures to ensure that the Group maintains adequate cash and appropriate credit facilities to meet its future operating expenditure and loan repayment obligations.

As at 30 June 2022, total equity of the Group decreased to approximately HK\$928.0 million (31 December 2021: approximately HK\$936.5 million). Moreover, as at 30 June 2022, the bank deposits and cash of the Group were approximately HK\$50.8 million (31 December 2021: approximately HK\$45.3 million), which included non-pledged time deposits of less than three months of approximately HK\$20.2 million (31 December 2021: HK\$20.2 million). The increase in time deposits and cash of the Group were mainly attributable to the cash generated from operating activities of the Group during the Period.

As at 30 June 2022, the carrying amount of our bank loans was approximately HK\$102.4 million (31 December 2021: approximately HK\$104.4 million). As at 30 June 2022, all of the bank loans were secured by mortgages over certain investment properties, leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$250.1 million (31 December 2021: approximately HK\$280.0 million). As at 30 June 2022, the bank loans bear interest rates ranging from 1.89% to 2.64% per annum (31 December 2021: ranging from 1.89% to 2.50% per annum). As at 30 June 2022, the Group had available unutilized bank loan facilities of approximately HK\$20 million (31 December 2021: HK\$20 million).

Of the total bank loans as at 30 June 2022, approximately HK\$42.8 million (or approximately 41.7%) was repayable within one year or on demand. Approximately HK\$51.1 million (or approximately 50.0%) was repayable after one year but within two years. Approximately HK\$8.5 million (or approximately 8.3%) was repayable after two years but within five years. None was repayable after five years.

Of the total bank loans as at 31 December 2021, approximately HK\$33.6 million (or approximately 32.2%) was repayable within one year or on demand. Approximately HK\$12.5 million (or approximately 12.0%) was repayable after one year but within two years. Approximately HK\$58.3 million (or approximately 55.8%) was repayable after two years but within five years. None was repayable after five years.

The Group's total debt to equity ratio, calculated as total borrowings (being the aggregate of total bank borrowings) of approximately HK\$102.4 million (31 December 2021: approximately HK\$104.4 million) divided by shareholder's equity of the Group of approximately HK\$928.0 million (31 December 2021: approximately HK\$936.5 million) was approximately 11.0% as at 30 June 2022 (31 December 2021: approximately 11.1%).

Capital Expenditure

Capital expenditure incurred by our Group (representing acquisition of investment properties and other financial assets) for the six months ended 30 June 2022 was nil (first half of 2021: HK\$12.2 million). The Group anticipates that the funding required for future capital expenditure will be principally financed by cash generated from operations and bank borrowings, although the Group may consider raising additional funds as and when appropriate.

Capital Commitments

As at 30 June 2022, the Group had a total capital commitment of approximately HK\$6.3 million (31 December 2021: HK\$6.3 million), contracted for but not provided for in the financial statements in respect of its investment in the Fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2022 and 31 December 2021.

Pledge of assets

Certain of the Group's investment properties with an aggregate carrying value of approximately HK\$237.6 million as at 30 June 2022 (31 December 2021: approximately HK\$267.2 million) have been pledged to secure banking facilities of the Group.

As at 30 June 2022, one of the Group's leasehold land and buildings with a carrying value of approximately HK\$12.5 million (31 December 2021: HK\$12.8 million) has been pledged to secure banking facilities of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Company during the Period under review.

TREASURY POLICY

The Group operates in Hong Kong and the revenue, operating cost and borrowings were denominated in Hong Kong dollars. As a result, the Group has minimal exposure to exchange rate fluctuation.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollars. Should the Board consider it appropriate, it may consider investing in debt securities and equity securities. The Group does not use any financial instruments for hedging purposes.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organization and the external environment with active management participation and effective internal control procedures in the best interests of the Group and its shareholders.

HUMAN RESOURCES

As at 30 June 2022, the Group employed a total of seven employees (31 December 2021: seven employees) in Hong Kong. The Group recorded staff costs of approximately HK\$3.6 million for the six months ended 30 June 2022 as compared to approximately HK\$1.1 million for the corresponding period in 2021.

The Group has entered into employment contracts with all our employees to cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance. The Board may also make an offer of the grant of an option to subscribe for share(s) in the capital of the Company to any of our employees under our share option scheme.

Share options were granted in the first half of 2022 resulting in recording of share-based payment expenses of approximately HK\$2,573,000 (2021: nil), thus increasing the administrative expenses for the period.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 of the Listing Rules as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its model code for securities transactions by the directors of the Company. Having made specific enquiry, all of the directors of the Company confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries redeemed, purchased or sold any of the Company’s listed securities during the six months ended 30 June 2022. As at 30 June 2022, there were no outstanding redeemable securities of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises of three independent non-executive directors of the Company.

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2022 with the management of the Company.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to all of our shareholders, tenants, professional parties and employees for their continuous support.

By Order of the Board
Chau Choi Fa
Chairperson

Hong Kong, 19 August 2022

As at the date of this announcement, the Board comprises four executive directors, namely Ms. Chau Choi Fa, Ms. Wong Siu Wah, Ms. Wong Vivien Man-Li and Ms. Chow Woon Yin and three independent non-executive directors, namely Mr. Lam John Cheung-Wah, Dr. Tse Kwok Sang and Mr. Chui Chi Yun Robert.