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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 2023

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 2023, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	3	136,299	134,601
Cost of sales		<u>(22,088)</u>	<u>(20,796)</u>
Gross profit		114,211	113,805
Other income and gains	3	14,667	11,571
Foreign exchange differences, net		(44)	60
Fair value changes on financial assets at fair value through profit and loss, net		74,910	16,195
Operating and administrative expenses		(19,575)	(17,445)
Finance costs	5	(36,903)	(10,924)
Share of loss of associates		<u>(119)</u>	<u>–</u>
PROFIT BEFORE TAX	4	147,147	113,262
Income tax expense	6	<u>(6,909)</u>	<u>(6,651)</u>
PROFIT FOR THE PERIOD		<u>140,238</u>	<u>106,611</u>

		For the six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		114,360	88,249
Non-controlling interests		25,878	18,362
		<u>140,238</u>	<u>106,611</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	<u>HK13.68 cents</u>	<u>HK10.56 cents</u>

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	140,238	106,611
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	<u>—</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>140,238</u>	<u>106,609</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	114,360	88,247
Non-controlling interests	<u>25,878</u>	<u>18,362</u>
	<u>140,238</u>	<u>106,609</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		256,127	256,201
Investment properties		11,022,134	11,022,134
Right-of-use assets		336	340
Club debenture		330	330
Investment in associates		154	57
		<hr/>	<hr/>
Total non-current assets		11,279,081	11,279,062
CURRENT ASSETS			
Properties held for sale		281,851	281,851
Trade receivables	9	8,507	9,915
Prepayments, deposits and other receivables		244,943	238,495
Financial assets at fair value through profit or loss		841,823	762,074
Cash and cash equivalents		342,844	571,242
		<hr/>	<hr/>
Total current assets		1,719,968	1,863,577
CURRENT LIABILITIES			
Trade payables	10	72	1,410
Other payables and accruals		164,787	170,243
Deposits received		75,189	73,790
Interest-bearing bank and other borrowings		1,480,647	1,498,600
Tax payable		60,607	60,056
		<hr/>	<hr/>
Total current liabilities		1,781,302	1,804,099
NET CURRENT (LIABILITIES)/ASSETS		<hr/> (61,334)	<hr/> 59,478
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 11,217,747	<hr/> 11,338,540

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Amount due to a director	23,435	266,580
Deferred tax liabilities	1,375,963	1,375,963
	<hr/>	<hr/>
Total non-current liabilities	1,399,398	1,642,543
	<hr/>	<hr/>
Net assets	9,818,349	9,695,997
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	41,804	41,804
Reserves	7,979,751	7,882,112
	<hr/>	<hr/>
	8,021,555	7,923,916
Non-controlling interests	1,796,794	1,772,081
	<hr/>	<hr/>
Total equity	9,818,349	9,695,997
	<hr/> <hr/>	<hr/> <hr/>

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 2022 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 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

Several amendments apply for the first time in 2023, 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 2022: 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, share of loss of associates, other gains and non-lease-related finance costs are excluded from such measurement.

There are no sales or other transactions between the operating segments during the period (period ended 30 June 2022: Nil).

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Total	
	For the six months ended 30 June							
	2023	2022	2023	2022	2023	2022	2023	2022
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue:								
Revenue from external customers	<u>102,219</u>	<u>104,986</u>	<u>17,575</u>	<u>19,920</u>	<u>16,505</u>	<u>9,695</u>	<u>136,299</u>	<u>134,601</u>
Segment results	<u>88,300</u>	<u>91,210</u>	<u>(328)</u>	<u>3,535</u>	<u>90,524</u>	<u>25,181</u>	<u>178,496</u>	<u>119,926</u>
<i>Reconciliation:</i>								
Unallocated corporate expenses							(8,994)	(7,311)
Interest income on bank deposits							10,523	3,488
Share of loss of associates							(119)	-
Other gains							4,144	8,083
Finance costs							(36,903)	(10,924)
Profit before tax							<u>147,147</u>	<u>113,262</u>

Geographical information

	Hong Kong		Mainland China		Total	
	For the six months ended 30 June					
	2023	2022	2023	2022	2023	2022
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue from external customers	<u>53,871</u>	<u>45,165</u>	<u>82,428</u>	<u>89,436</u>	<u>136,299</u>	<u>134,601</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 2023 and 2022.

3. REVENUE , OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Serviced apartment and property management services	<u>17,575</u>	<u>19,920</u>
<i>Revenue from other sources</i>		
Rental income from property letting under fixed lease payments	<u>102,219</u>	104,986
Dividend income from listed equity investments	<u>16,505</u>	<u>9,695</u>
	<u>118,724</u>	<u>114,681</u>
	<u>136,299</u>	<u>134,601</u>

Revenue from contracts with customers

(a) Disaggregation of revenue information

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
By source of revenue:		
<i>Revenue recognised overtime</i>		
Serviced apartment and property management services	<u>17,575</u>	<u>19,920</u>
By geographical locations:		
Hong Kong	<u>555</u>	499
Mainland China	<u>17,020</u>	<u>19,421</u>
	<u>17,575</u>	<u>19,920</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'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.

Other income and gains

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank balances	10,523	3,488
Others	4,144	8,083
	<u>14,667</u>	<u>11,571</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,338	1,467
Depreciation of right-of-use assets	4	4
Foreign exchange differences, net	44	(60)
	<u>1,386</u>	<u>1,411</u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and benefits in kind	14,176	7,012
Pension scheme contributions (defined contribution scheme)	2,115	146
	<u>16,291</u>	<u>7,158</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans	36,903	10,924

6. INCOME TAX

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of qualifying group entities will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%). Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK\$2 million.

Under the Law of the PRC on Corporate Income Tax and Implementation Regulation of the Corporate Income Tax Law, the tax rate of the PRC subsidiaries is 25% for both years.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	178	907
Current – Mainland China		
Charge for the period	6,724	5,744
Current – Malaysia		
Charge for the period	7	–
Total tax charge for the period	6,909	6,651

7. DIVIDENDS

(a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for 2022 paid – HK2 cents (2022: 2021 final dividend of HK2.5 cents) per ordinary share	16,721	20,902

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared – HK2 cents (2022: HK2 cents) per ordinary share	16,721	16,721

The Board declared an interim dividend of HK2 cents per ordinary share at the meeting held on 28 August 2023. Dividend warrants will be posted on or about 19 October 2023 to shareholders whose names appear on the register of members of the Company on 27 September 2023.

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\$114,360,000 (2022: HK\$88,249,000) and the weighted average number of ordinary shares of 836,074,218 (2022: 836,074,218 shares).

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

9. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	8,507	9,915

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:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 1 month	1,353	2,246
1 to 2 months	373	511
2 to 3 months	301	1
3 to 12 months	395	1,537
Over 1 year	<u>6,085</u>	<u>5,620</u>
	<u><u>8,507</u></u>	<u><u>9,915</u></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:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 1 month	<u>72</u>	<u>1,410</u>

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 Monday, 25 September 2023 to Wednesday, 27 September 2023, 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 Friday, 22 September 2023. The interim dividend will be paid to shareholders whose names appear on the register of members on Wednesday, 27 September 2023 and the payment date will be on or about Thursday, 19 October 2023.

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\$37 million for the six months ended 30 June 2023 (2022: 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\$82 million for the six months ended 30 June 2023 (2022: HK\$89 million).

Zhuhai, China

Zhuhai Qianshan

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.

Zhuhai Doumen

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 approximately RMB205,538,000.

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, and the judicial proceedings are still in progress.

As of the date of this report, 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 2023, the Group held approximately HK\$839 million (31 December 2022: HK\$761 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\$75 million (2022: HK\$16 million) when marking the investment portfolio to market valuation as of 30 June 2023, along with dividend income of approximately HK\$17 million (2022: HK\$10 million).

The equity investments held by the Group as at 30 June 2023 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 2023	of shareholding as at 30 June 2023		change in fair value for the period ended 30 June 2023	gain/(loss) on change in fair value for the period ended 30 June 2023			to the Company's total asset as at 30 June 2023
			'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	0.12	196,381	-	(5,260)	785	151,113	1.16
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	-	71,496	14,860	350,302	2.69
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	0.61	337,354	-	(7,193)	-	173,959	1.34
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	-	8,790	-	92,002	0.71

Stock Code	Company Name	Principal Business	Percentage of shareholding as at 30		Investment cost HK\$'000	Realised gain on change in fair value for the period ended 30	Unrealised gain/(loss) on change in fair value for the period ended 30	Dividend income for the period ended 30	Fair value/carrying amount as at 30	Percentage to the Company's total asset as at 30
			Number of shares held as at 30	June 2023		June 2023	June 2023	June 2023	June 2023	June 2023
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	-	4,182	751	21,777	0.17
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	-	(340)	-	13,060	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	-	4,399	-	12,888	0.10
	Other listed securities#				56,014	-	(1,141)	109	20,347	0.16
						-	74,933	16,505	835,448	6.43

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 2023.

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 increase in profit of approximately 31% for the six months ended 30 June 2023 to approximately HK\$140 million (2022: HK\$107 million). The increase in profit was mainly due to the increase in unrealised fair value gain and dividend income on equity investments.

In the first half of 2023, the Group's rental and property management services income decreased by approximately 4% to approximately HK\$120 million (2022: HK\$125 million). During the period under reporting, rental income from Hong Kong amounted to approximately HK\$37 million (2022: HK\$35 million); rental and management fee income from hotel-serviced apartments and villas in Shanghai decreased by approximately 8% to approximately HK\$82 million (2022: HK\$89 million).

During the six months ended 30 June 2023, the Group's equity investments recorded an unrealised fair value gain of approximately HK\$75 million (2022: HK\$16 million) and dividend income of approximately HK\$17 million (2022: HK\$10 million), represented a year-on-year increase of approximately 369% and 70% 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 2023.

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 2023, 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\$835 million (31 December 2022: HK\$761 million) as of 30 June 2023. The Group's cash and cash equivalents as of 30 June 2023 amounted to approximately HK\$343 million (31 December 2022: HK\$571 million).

As of 30 June 2023, the Group had total bank and other borrowings amounted to approximately HK\$1,481 million (31 December 2022: HK\$1,499 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 2023 was as follows:

	<i>HK\$'000</i> (Unaudited)
Within one year	496,447
In the second year	20,900
In the third to fifth years, inclusive	<u>963,300</u>
Total	<u><u>1,480,647</u></u>

With the total bank and other borrowings of approximately HK\$1,481 million (31 December 2022: HK\$1,499 million) and the aggregate of the shareholder funds, non-controlling interests and total bank and other borrowings of approximately HK\$11,299 million (31 December 2022: HK\$11,195 million), the Group's gearing ratio as at 30 June 2023 was around 13% (31 December 2022: 13%).

CONTINGENT LIABILITY

As of 30 June 2023, the Group had no material contingent liability.

COMMITMENTS

As of 30 June 2023, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$4 million (31 December 2022: HK\$4 million).

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2023, 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\$14 million (2022: 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

In the first half of 2023, the global economy continued to be impacted by ongoing geopolitical instabilities, rising inflation and interest rate hikes. Although economic activities in Hong Kong and the Mainland China have gradually recovered following the almost complete lifting of cross-border travel restrictions, the slower than expected recovery means one should not be overly optimistic to the short-to medium-term economic prospects of Hong Kong and the Mainland China.

Property investment

Office leasing market in Hong Kong will continue to be challenging. It is facing the highest office vacancies in decades, with many international corporations still freezing or cutting back operations in the city. In addition, there are still substantial new supply coming up in the pipeline. Until Chinese corporates return to expansion mode, the office leasing market in Hong Kong will continue to face an uphill battle.

The Group's hotel-serviced villas and apartments in Shanghai has been a major source of income and cash flow over the past years. It is expected that the rental income from Shanghai would remain stable in the second half of the year.

Financial investment

The performance of the Group's listed equity investments has always been highly correlated to that of the financial markets, and the financial markets around the world are expected to remain volatile in 2023 amid the worldwide economic and geopolitical uncertainties. The management will closely monitor the risks associated with the financial investments and will take timely and appropriate measures when necessary.

The Group will keep pace with the times to ensure the sustainability and competitiveness of its core business, and will grasp investment opportunities to create value for its shareholders.

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 2023 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 2023.

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 2023.

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 2023, 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 2023.

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, 28 August 2023