



CHEUK NANG (HOLDINGS) LIMITED

(Stock Code: 131)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31/12/2021

CHEUK NANG (HOLDINGS) LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

CHAIRMAN STATEMENT

RESULTS

I herewith announce that the unaudited consolidated loss after taxation for the six months ended 31 December 2021 of our Group is HK\$115,334,000 as compared with 2020: loss HK\$62,176,000 as set out in the unaudited consolidated income statement which has been reviewed by the Company's audit committee.

The Directors resolved the payment of an interim dividend of HK1.5 cents per share as compared the interim dividend of 2020: HK2.0 cents.

REVIEW OF OPERATIONS

Hong Kong Properties

Hong Kong economy were seriously affected by the fifth epidemic of coronavirus. Although the economy has been slightly recovered and boosted by the distribution of the consumption coupon by the government during the third and the fourth quarter of last year, the economy is again largely turned down at the beginning of 2022.

The progress of our projects is as follows:

1. *One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

Phase 1 has been obtained Occupation Permit which consisted of 49 residential units, out of which 13 units are sold and 21 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. The whole development provides 70 no. of car parks. The Occupation Permit of Phase 2 was obtained on 28 July 2020. The application for Certificate of Compliance was submitted in August 2020 and is still pending for approval.

2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

The occupancy rate maintained at 85%.

3. ***Villa Cecil Phase III, 216 Victoria Road, Pokfulam***

The occupancy rate of the two blocks has reached 95% which contributed good rental income to the Group.

4. ***Cheuk Nang Lookout, 30 Severn Road, The Peak***

The renovation of the two villas (Villa Begonia and Villa Crocus) to enhance the quality is completed.

5. ***New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau***

Over 90% of the villas in Phase 1 are leased out. The construction work of Phase 2 and the overall site improvement work are in progress and nearly completed.

China Properties

China's property downturn is expected to continue in the first half of this year, with home prices and sales falling as tight credit policies and COVID-19 pandemic. The sales volume for both new and second hand units during and after Chinese New Year were largely reduced as compared with previous years.

Cheuk Nang Garden

Longhwa, Shenzhen

Upto the date of this report, a total of 809 units have been sold and the sales transactions amount achieved is RMB3,582 million. The government inland revenue has contacted us requesting for payment for increasing value of land appreciation tax. We have engaged tax expert to deal with the tax matter.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The 19th Asian Games will be held in Hangzhou in September 2022. The construction of stadiums and athletes villages boosted the local economy while the holding of the Asian Games competition will drive the tourist industry increased in 2022.

The construction of whole development of Cheuk Nang • Riverside is completed. Currently, renovation and beautification works are in progress in order to cope with the requirement of 規劃建築驗收.

Macau Properties

The quick and immediate measures taken by the Government to prevent the spread of the pandemic. The Macau economy has gradually resumed slightly but under the influence of the gambling sector, not quite optimistic.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The lease of the land was expired in October 2021. Our lawyer in Macau has made application to renew the lease since April 2021 but the renewal process was being held up by the Government due to the completion of the Master City Planning. According to the advice from our lawyer in Macau, although under normal practice, the lease of our land will be renewed automatically on expiration, due to the Government undergo a Master City Planning in early 2021, the renewal of our lease will be handle after the City Planning. Our lawyer will contact the government officials frequently to keep us informed of the status for renewal.

Malaysia Properties

Following the disruptive impact of the COVID-19 crisis, the first half year of 2021, sharp drops in transactional activity of real estates were brought by rising infection rates and government-imposed citizen movement restrictions, resulted in price depressions and supply of vacant units increased. The government is adopting sustainable long-term policies in dealing with COVID-19 but we anticipated that the performance of the economy will not be optimistic in the near future.

Phase I “Parkview”

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

The occupancy and the income of the serviced apartments were very much reduced due to the market situation.

Phase II “Cecil Central Residence”

Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

The amended Development Order has been approved. New application for approval of the amended building plans was submitted. Due to the poor market situation, the construction plan will be delayed.

INVESTMENT IN BONDS AND HONG KONG STOCK MARKET

The investment in Bond market as at 31 December 2021 was HK\$146,898,000. During the period, a total of HK\$2,237,000 was redeemed and no Bond was purchased

The market price of our investment in the Hong Kong stocks as at 31 December 2021 was HK\$37,552,000. During the period, a total of HK\$5,997,000 stock was purchased and no stock was sold.

OUTLOOK

The Hong Kong economy will continue to be affected by omicron and geopolitical tensions.

The Hong Kong government has put their effort to fight against the virus by trying to cut the transmission chain but the effect seems cannot catch up with the speed of dispersion. The good news is the China Central Government has promised to give strong support to fight against the disease.

Although we are now facing the most difficult time, we still looking forward to the economy may resume gradually in long run, following the disease may be better under controlled eventually.

DIRECTORS AND STAFF

With our deepest sadness, our director Dr. Sun Ping Hsu Samson has passed away. His contribution to our group will always be remembered by all of us.

All our directors and staff for their dedication and contribution to the steady work of the Company during the most difficult period are much appreciated.

As at the date of this report, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Ms. Chao Gigi (Vice Chairman), Mr. Yung Philip and Ms. Ho Sau Fun, Connie; the Non-Executive Directors are Mr. Chao Howard and Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Mr. Ting Woo Shou, Kenneth and Mr. Lam Ka Wai, Graham.

By order of the Board
CECIL CHAO SZE TSUNG
Executive Chairman

Hong Kong, 24 February 2022

RESULTS

The unaudited accounts of the Company and its subsidiaries (collectively referred to as the “Group”) which have been reviewed by the Company’s audit committee are listed as follows:

Condensed Consolidated Income Statement

For the six months ended 31 December 2021

		Six months ended	
		31 December	
	<i>Notes</i>	2021	2020
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	3	31,610	878,860
Direct costs		(41,370)	(139,450)
Gross (loss)/profit		(9,760)	739,410
Other income, net	4	28,088	39,896
Change in fair value of investment properties		(100,214)	(147,554)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(546)	590
Administrative expenses		(27,690)	(37,309)
Finance costs	5a	(4,423)	(13,973)
(Loss)/profit before income tax	5	(114,545)	581,060
Income tax expense	6	(789)	(643,236)
Loss for the period		(115,334)	(62,176)
(Loss)/profit for the period attributable to:			
Owners of the Company		(115,546)	(62,110)
Non-controlling interests		212	(66)
		(115,334)	(62,176)
Loss per share for loss attributable to the owners of the Company during the period	8		
Basic		HK\$(0.18)	HK\$(0.10)
Diluted		HK\$(0.18)	HK\$(0.10)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2021

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(115,334)	(62,176)
Other comprehensive income/(expense) for the period, net of tax		
Item that will be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”) (recycling)	(12,226)	(423)
Exchange gain on translation of financial statements of foreign operations	212,348	276,456
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	(1,086)	528
Income tax relating to components of other comprehensive income	179	(87)
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	199,215	276,474
	<hr/>	<hr/>
Total comprehensive income for the period	83,881	214,298
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:		
Owners of the Company	83,669	214,364
Non-controlling interests	212	(66)
	<hr/>	<hr/>
	83,881	214,298
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Financial Position

As at 31 December 2021

		At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	6,672,572	6,655,700
Property, plant and equipment		42,831	45,636
Other non-current asset		950	950
Other financial assets	10	146,898	157,728
Deferred tax assets		17,614	17,614
		<u>6,880,865</u>	<u>6,877,628</u>
Current assets			
Properties under development for sale	9	1,599,290	1,567,653
Completed properties for sale		537,419	395,988
Other financial assets	10	–	3,483
Financial assets at fair value through profit or loss	11	37,552	32,101
Trade and other receivables	12	31,340	30,821
Bank balances and cash	13	1,986,520	1,988,157
		<u>4,192,121</u>	<u>4,018,203</u>
Current liabilities			
Other payables		234,373	132,074
Contract liabilities	16	150,106	156,181
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		1,491	1,489
Interest-bearing borrowings		876,809	865,920
Lease liabilities	15	2,062	2,273
Tax payable		1,388,766	1,388,115
		<u>2,893,597</u>	<u>2,786,042</u>
Net current assets		<u>1,298,524</u>	<u>1,232,161</u>
Total assets less current liabilities		<u>8,179,389</u>	<u>8,109,789</u>

		At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Interest-bearing borrowings		–	10,613
Advance from a director		129,742	112,632
Lease liabilities	15	3,918	4,952
Deferred tax liabilities		930,689	930,853
		<hr/> 1,064,349 <hr/>	<hr/> 1,059,050 <hr/>
Net assets		7,115,040	7,050,739
EQUITY			
Share capital	14	2,468,985	2,468,985
Reserves		4,468,734	4,404,645
		<hr/> 6,937,719 <hr/>	<hr/> 6,873,630 <hr/>
Equity attributable to the owners of the Company		6,937,719	6,873,630
Non-controlling interests		177,321	177,109
		<hr/> 7,115,040 <hr/>	<hr/> 7,050,739 <hr/>
Total equity		7,115,040	7,050,739

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(27,588)	204,016
Investing activities		
Interest received	26,921	9,520
Additions of investment properties	(4,264)	(29,388)
Purchase of structured deposits	–	(1,358,977)
Proceeds from redemption of structured deposits	–	700,749
Proceeds from disposal of investment properties	–	355,925
Placement of fixed deposits with original maturity of over three months placement	–	(13,738)
Other investing activities	699	9,360
Net cash generated from/(used in) investing activities	23,356	(326,549)
Financing activities		
Advance from/(Repayment to) a director	17,110	(69,550)
Dividend paid	(19,580)	(4,547)
Repayment of bank loans	–	(310,605)
Other financing activities	(1,202)	(1,737)
Net cash generated used in financing activities	(3,672)	(386,439)
Net decrease in cash and cash equivalents	(7,904)	(508,972)
Cash and cash equivalents at 1 July	1,986,635	1,232,907
Effect of foreign exchange rate changes, on cash held	4,763	101,501
Cash and cash equivalents at 31 December, represented by cash at bank	1,983,494	825,436

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021

	Equity attributable to the owners of the Company								
	Share capital	Exchange reserve*	Statutory reserve*	Property revaluation reserve*	Financial assets at FVTOCI (recycling)*	Retained profits*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 July 2020	2,441,551	(479,310)	-	28,768	(17,178)	4,581,792	6,555,623	176,293	6,731,916
Loss for the period	-	-	-	-	-	(62,110)	(62,110)	(66)	(62,176)
Other comprehensive income/(expenses) for the period									
Exchange gain on translation of financial statements of foreign operations	-	276,456	-	-	-	-	276,456	-	276,456
Change in fair value of financial assets at FVTOCI	-	-	-	-	(423)	-	(423)	-	(423)
Change in fair value of land and buildings held for own use	-	-	-	528	-	-	528	-	528
Income tax relating to components of other comprehensive income	-	-	-	(87)	-	-	(87)	-	(87)
Total comprehensive income/(expense) for the period	-	276,456	-	441	(423)	(62,110)	214,364	(66)	214,298
2020 final dividend approved and paid (Note 7)	-	-	-	-	-	(31,981)	(31,981)	-	(31,981)
Issue of share capital:									
Pursuant to scrip dividend scheme	27,434	-	-	-	-	-	27,434	-	27,434
Transfer to statutory reserve	-	-	281,562	-	-	(281,562)	-	-	-
Balance at 31 December 2020	2,468,985	(202,854)	281,562	29,209	(17,601)	4,206,139	6,765,440	176,227	6,941,667

Equity attributable to the owners of the Company

	Financial assets at							Total equity
	Share capital	Exchange reserve*	Property revaluation reserve*	FVTOCI reserve (recycling)*	Retained profits*	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 July 2021	2,468,985	(291,283)	29,209	(18,738)	4,685,457	6,873,630	177,109	7,050,739
(Loss)/profit for the period	-	-	-	-	(115,546)	(115,546)	212	(115,334)
Other comprehensive income/(expenses) for the period								
Exchange gain on translation of financial statements of foreign operations	-	212,348	-	-	-	212,348	-	212,348
Change in fair value of financial assets at FVTOCI	-	-	-	(12,226)	-	(12,226)	-	(12,226)
Change in fair value of land and buildings held for own use	-	-	(1,086)	-	-	(1,086)	-	(1,086)
Income tax relating to components of other comprehensive income	-	-	179	-	-	179	-	179
Total comprehensive income/(expense) for the period	-	212,348	(907)	(12,226)	(115,546)	83,669	212	83,881
2021 final dividend approved and paid (Note 7)	-	-	-	-	(19,580)	(19,580)	-	(19,580)
Balance at 31 December 2021	2,468,985	(78,935)	28,302	(30,964)	4,550,331	6,937,719	177,321	7,115,040

* These reserve accounts comprise the Group's reserves of HK\$4,468,734,000 (As at 30 June 2021 (Audited): HK\$4,404,645,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 24 February 2022, and have been reviewed by the Company’s Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2021, except for the adoption of new or amended HKFRSs effective on or after 1 July 2021 as disclosed in Note 2 and the accounting policy changes that are expected to be reflected in the 2021 annual financial statements.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2021.

The financial information relating to the financial year ended 30 June 2021 that is included in the interim financial statements for the six months ended 31 December 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

2. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning on or after 1 July 2021

The condensed consolidated interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2021, except for the adoption of the following new and amended HKFRs effective as of 1 July 2021. The Group has not early adopted any other standards, interpretation or amendment that has been issued but not yet effective.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

3. SEGMENT INFORMATION

The Group is principally engaged in property development and investment and provision of property management and related services. Turnover of the Group is the revenue from these activities.

In accordance with the Group's internal financial reporting provided to the executive directors of the Company, being the chief operating decision makers who is responsible for allocating resources, assessing performance of the operating segments and making strategic decision, the executive directors consider the business from business perspective.

From business perspective, the Group organised into the following main business segments:

- Property sales;
- Property rental;
- Estate management; and
- Others – securities trading, investments in financial instruments and debentures

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

3. SEGMENT INFORMATION (Continued)

The chief operating decision makers assesses the performance of the operating segments based on the (loss)/profit before income tax for the period.

Information regarding the Group's reportable segments as provided to the chief operating decision maker is set out below:

For the six months ended 31 December 2021 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	-	25,739	5,871	-	31,610
Inter-segment revenue	-	210	-	-	210
	<u>-</u>	<u>25,949</u>	<u>5,871</u>	<u>-</u>	<u>31,820</u>
Reportable segment revenue	<u>-</u>	<u>25,949</u>	<u>5,871</u>	<u>-</u>	<u>31,820</u>
Reportable segment (loss)/profit	<u>(31,428)</u>	<u>(81,853)</u>	<u>1,165</u>	<u>14</u>	<u>(112,102)</u>
Other information:					
Interest income	13,397	3,960	-	9,461	26,818
Interest expense	1,204	1,910	-	1,309	4,423
Income tax expense	774	15	-	-	789
Depreciation	13	1,034	1,094	-	2,141
Decrease in fair value of investment properties	-	(100,214)	-	-	(100,214)
Decrease in fair value of financial assets at FVTPL	-	-	-	(546)	(546)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(546)</u>	<u>(546)</u>
As at 31 December 2021 (Unaudited)					
Reportable segment assets	<u>2,938,940</u>	<u>5,935,285</u>	<u>9,228</u>	<u>37,551</u>	<u>8,921,004</u>
Reportable segment liabilities	<u>356,896</u>	<u>263,418</u>	<u>6,883</u>	<u>4,743</u>	<u>631,940</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2020 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	836,598	31,921	10,341	–	878,860
Inter-segment revenue	–	–	10,700	–	10,700
Reportable segment revenue	836,598	31,921	21,041	–	889,560
Reportable segment profit/(loss)	647,008	(40,365)	3,816	7,699	618,158
Other information:					
Interest income	1,972	61	–	7,487	9,520
Interest expense	6,297	7,429	–	247	13,973
Income tax expense	642,588	648	–	–	643,236
Depreciation	18	1,035	1,291	–	2,344
Decrease in fair value of investment properties	–	(147,554)	–	–	(147,554)
Increase in fair value of financial assets at FVTPL	–	–	–	590	590

As at 30 June 2021 (Audited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	2,757,259	5,891,068	11,070	32,101	8,691,498
Reportable segment liabilities	258,517	263,487	9,658	5,298	536,960

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

3. SEGMENT INFORMATION (Continued)

The Group's principal activities are disclosed in above, and the revenue during the year is as follows:

	Six months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Property sales	–	836,598
Property rental	25,739	31,921
Estate management	5,871	10,341
	<u>31,610</u>	<u>878,860</u>

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical market:

	Six months ended 31 December 2021		
	Property sales <i>HK\$'000</i> (Unaudited)	Property rental <i>HK\$'000</i> (Unaudited)	Estate management <i>HK\$'000</i> (Unaudited)
Geographical markets			
PRC	–	2,171	3,177
Hong Kong	–	23,280	2,694
Malaysia	–	288	–
	<u>–</u>	<u>25,739</u>	<u>5,871</u>
Timing of revenue recognitions under HKFRS 15 from external customers			
At a point in time	–	–	5,871
Rental income not in the scope of HKFRS 15	–	25,739	–
	<u>–</u>	<u>25,739</u>	<u>5,871</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2020 (Unaudited)

Segments	Six months ended 31 December 2020		
	Property sales <i>HK\$'000</i> (Unaudited)	Property rental <i>HK\$'000</i> (Unaudited)	Estate management <i>HK\$'000</i> (Unaudited)
Geographical markets			
PRC	836,598	5,887	4,913
Hong Kong	–	25,700	5,428
Malaysia	–	334	–
	836,598	31,921	10,341
Timing of revenue recognitions under HKFRS 15 from external customers			
At a point in time	836,598	–	10,341
Rental income not in the scope of HKFRS 15	–	31,921	–
	836,598	31,921	10,341

The reportable segment (loss)/profit can be reconciled to the Group's (loss)/profit before income tax as presented in this interim financial report as follows:

	Six months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Reportable segment (loss)/profit	(112,102)	618,158
Unallocated corporate income	27,528	32,784
Unallocated corporate expenses	(25,548)	(55,909)
Finance costs	(4,423)	(13,973)
(Loss)/profit before income tax of the Group	(114,545)	581,060

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

4. OTHER INCOME, NET

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend income from listed equity investments	560	1,023
Interest received	26,818	2,033
Interest received from other financial assets	–	7,487
Investment income	–	6,086
Gain on disposal of investment properties, net of tax	–	20,946
Government subsidies	–	452
Sundry income	710	1,869
	28,088	39,896

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

5. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after (crediting)/charging the following:

	Six months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
(a) Finance costs		
Interest charges on:		
Bank loans	1,192	11,760
Advances from a director	3,480	3,899
Other incidental borrowing costs	2,420	2,835
Bonds	801	–
	<u>7,893</u>	<u>18,494</u>
Total finance costs	7,893	18,494
Less: Interest capitalised into investment properties and properties under development for sale	<u>(3,470)</u>	<u>(4,521)</u>
	<u>4,423</u>	<u>13,973</u>
(b) Other items		
Depreciation	2,141	2,344
Gain on disposal of investment properties	–	(20,946)
Short term lease expenses	–	149
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,748	13,523
Contribution to defined contribution plans	147	311
	<u>147</u>	<u>311</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

6. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the condensed consolidated interim financial statements as the Group has no assessable profit in Hong Kong for the six months ended 31 December 2021 (2020: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The taxation charge is made up as follows:

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
– Overseas		
PRC enterprise income tax	(56,519)	285,049
PRC land appreciation tax	57,308	400,041
	<u>789</u>	<u>685,090</u>
Deferred taxation	–	(41,854)
Total income tax expense	<u><u>789</u></u>	<u><u>643,236</u></u>

7. DIVIDENDS

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Final dividend declared and paid of HK3.0 cents (2020: HK5.0 cents) per ordinary share	19,580	31,981
Proposed interim dividend of HK1.5 cents (2020: HK2.0 cents) per ordinary share	9,790	13,054
	<u><u>29,370</u></u>	<u><u>45,035</u></u>

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

7. DIVIDENDS (Continued)

Scrip dividend alternative was offered to shareholders in respect of final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends:		
Cash	19,580	4,547
Share alternative (Note 14)	–	27,434
	<u>19,580</u>	<u>31,981</u>

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period is based on the following data:

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(115,546)</u>	<u>(62,110)</u>

Number of shares

	Six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>652,676,781</u>	<u>633,353,650</u>

Diluted loss per share is the same as basic loss per share for six months ended 31 December 2020 as there was no potential ordinary shares outstanding as at 31 December 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

During the six months ended 31 December 2021, capital expenditure on additions of the investment properties was HK\$4,264,000 (31 December 2020: HK\$29,388,000), on properties under development was HK\$31,637,000 (31 December 2020: HK\$8,260,000).

The valuations of investment properties carries at fair value were updated at 31 December 2021 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 31 December 2020 valuations. As a result of the update, a net loss on fair value change of HK\$100,214,000 (31 December 2020: net loss on fair value change of HK\$147,554,000) has been recognised in the condensed consolidated income statement.

During the six months ended 31 December 2021, there was no disposal of investment properties. During the six months ended 31 December 2020, there was disposal of investment properties at the carrying value of HK\$334,979,000 at cash consideration of HK\$355,925,000 after deducting direct legal and professional fees.

10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2021 HK\$'000 (Unaudited)	At 30 June 2021 HK\$'000 (Audited)
Non-current assets		
Financial assets at FVTOCI:		
Perpetual notes, listed in Hong Kong (<i>Note (a)</i>)	113,469	115,252
Perpetual notes, listed outside Hong Kong (<i>Note (b)</i>)	4,784	4,822
Debentures, listed in Hong Kong (<i>Note (c)</i>)	8,225	3,303
Debentures, listed outside Hong Kong (<i>Note (d)</i>)	28,420	42,351
Less: Impairment	(8,000)	(8,000)
	<u>146,898</u>	<u>157,728</u>
Current assets		
Financial assets at FVTOCI:		
Debentures, listed outside Hong Kong (<i>Note (d)</i>)	6,000	9,483
Less: Impairment	(6,000)	(6,000)
	<u>—</u>	<u>3,483</u>
	<u>146,898</u>	<u>161,211</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

10. OTHER FINANCIAL ASSETS (Continued)

The movement of gross balance of financial assets at FVTOCI is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2020	190,704	–	–	190,704
Additions	3,882	–	–	3,882
Redemption	(17,815)	–	–	(17,815)
Change in fair value	(1,560)	–	–	(1,560)
Transfer from Stage 1 to Stage 2	(18,185)	18,185	–	–
Transfer from Stage 1 to Stage 3	(3,303)	–	3,303	–
At 30 June 2021	<u>153,723</u>	<u>18,185</u>	<u>3,303</u>	<u>175,211</u>
Redemption	(2,237)	–	–	(2,237)
Change in fair value	(13,289)	(3,709)	4,922	(12,076)
At 31 December 2021	<u>138,197</u>	<u>14,476</u>	<u>8,225</u>	<u>160,898</u>

The movements of impairment loss for financial assets at FVTOCI are as follows:

	At 31 December 2021 <i>HK\$'000</i>	At 30 June 2021 <i>HK\$'000</i>
Stage 2		
At the beginning of the reporting period	11,000	–
Increase in impairment loss recognised	–	11,000
At the end of the reporting period	<u>11,000</u>	<u>11,000</u>
Stage 3		
At the beginning of the reporting period	3,000	–
Increase in impairment loss recognised	–	3,000
At the end of the reporting period	<u>3,000</u>	<u>3,000</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

10. OTHER FINANCIAL ASSETS (Continued)

The Group held the above investments under a business model whose objective is hold to collect the associated cash flows and sale; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Note:

- (a) The Group has investment in perpetual notes with principal amounts ranging from US\$500,000 to US\$10,000,000 listed in Hong Kong without fixed maturity date at floating rate of 7.75% with reset rate on reset date ranging from 5.72% plus mid-market swap rate and fixed rates ranging from 4.45% to 6.50% per annum, payable semi-annually.
- (b) The Group has investments in two perpetual notes with principal amount of US\$240,000 and US\$500,000 listed outside Hong Kong without fixed maturity date at a coupon rate ranging from 5.25% to 6.25% per annum, payable semi-annually.
- (c) The Group has investment in one listed debenture with principal amounts of US\$1,000,000 listed in Hong Kong with maturity dates of 31 January 2028 at a fixed coupon rates of 6.50% per annum, payable semi-annually. During the year ended 30 June 2021, there was a default of interest payment by the debenture issuer. In the opinion of the directors, the credit quality of this debenture deteriorated significantly and an impairment loss of HK\$3,000,000 was recognised accordingly.
- (d) The Group has investments in eleven listed debentures with principal amounts ranging from US\$250,000 to US\$3,100,000 with fixed maturity date ranging from 13 September 2021 to 8 April 2026 at a coupon rates ranging from 5.5% to 11.875% per annum, payable semi-annually which carry forward from 30 June 2021. During the year ended 30 June 2021, the credit rating of certain debentures with gross amount of approximately HK\$18,185,000 were being downgraded. In the opinion of the directors, the credit quality of these debentures are deteriorated significantly and an impairment loss of HK\$11,000,000 was recognised accordingly.
- (e) Financial assets at FVTOCI have been pledged to secure banking facilities granted to the Group (Note 18).

Except as those mentioned above, the credit risk on other listed perpetual notes and debentures is considered to be insignificant because the issuers are assigned with high credit ratings by international credit rating agencies.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong (<i>Note (a)</i>)	<u>37,552</u>	<u>32,101</u>

Note:

- (a) The fair value of the Group's investments in listed equity securities have been measured as described in Note 20.

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Trade receivables		
From third parties	<u>2,609</u>	<u>1,035</u>
Other receivables		
Prepaid expenses	7,269	6,607
Costs for obtaining contracts	7,053	6,223
Utilities deposits	2,673	7,962
Other deposits	693	693
Other receivables	<u>11,043</u>	<u>8,301</u>
	<u>28,731</u>	<u>29,786</u>
	<u>31,340</u>	<u>30,821</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

12. TRADE AND OTHER RECEIVABLES (Continued)

The trade receivables of the Group represent receivables from sale of completed properties for sale and rental and management fee in arrears. The Group maintains a credit policy to minimise any credit risk associated with trade receivables. As at the end of the reporting period the ageing analysis of the trade receivables (which is included in trade and other receivables), based on the debit note or invoice date, is as follows:

	At 31 December 2021 HK\$'000 (Unaudited)	At 30 June 2021 HK\$'000 (Audited)
0 – 30 days	241	621
31 – 60 days	400	113
61 – 90 days	237	64
Over 90 days	1,731	237
	<u>2,609</u>	<u>1,035</u>

Trade receivables are due upon presentation of invoices.

The Group has no significant concentrations of credit risk, and sufficient rental deposits are held to cover potential exposure to credit risk.

Other receivables included deposits paid to constructors to perform construct works for the Group's investment properties and properties under development. The credit risk of deposits paid are considered to be low, therefore the impact on expected credit loss ("ECL") is considered as immaterial.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

13. BANK BALANCES AND CASH

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Pledged deposits	3,026	1,522
Cash at bank	1,983,494	1,986,635
Total	<u>1,986,520</u>	<u>1,988,157</u>

Included in bank and cash balances of the Group is HK\$1,971,062,000 (30 June 2021 (Audited): HK\$1,953,942,000) of bank balances denominated are placed with banks in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the bank balances are not freely transferred.

The credit risk on pledged deposits and cash at bank are considered to be insignificant because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

14. SHARE CAPITAL

	Unaudited		Audited	
	As at 31 December 2021		As at 30 June 2021	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Voting ordinary shares:				
At the beginning of the period/year	652,676,781	2,468,985	639,613,567	2,441,551
Issue of shares pursuant to scrip dividend scheme (Note 7)	—	—	13,063,214	27,434
At the end of the period/year	<u>652,676,781</u>	<u>2,468,985</u>	<u>652,676,781</u>	<u>2,468,985</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

15. LEASE LIABILITIES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Total minimum lease payments:		
Due within one year	2,109	2,330
Due in the second to fifth years	3,955	5,009
	<u>6,064</u>	<u>7,339</u>
Future finance charges on leases liabilities	(84)	(114)
Present value of leases liabilities	<u>5,980</u>	<u>7,225</u>
Present value of minimum lease payments:		
Due within one year	2,062	2,273
Due in the second to fifth years	3,918	4,952
	<u>5,980</u>	<u>7,225</u>
Less: Portion due within one year included under current liabilities	<u>(2,062)</u>	<u>(2,273)</u>
Portion due after one year included under non-current liabilities	<u>3,918</u>	<u>4,952</u>

During the six months ended 31 December 2021, the total cash outflows for the leases is approximately HK\$1,276,000 (Six months ended 31 December 2020: HK\$1,420,000).

The Group considered that no extension option or termination option would be exercised at the lease commencement date. All are for leasing office premises. The lease periods are for three to five years.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

16. CONTRACT LIABILITIES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Contract liabilities arising from receipt in advance	<u>150,106</u>	<u>156,181</u>

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers good or service to the customer.

During the six months ended 31 December 2021, the Group's contract liabilities amount to HK\$150,106,000 (2021: HK\$156,181,000) and are expected to be recognised as revenue within one year. As a practical expedient, the balance does not involve significant financing component.

Since all the contracts with an original duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

17. COMMITMENTS

(a) Capital commitments

Capital commitments in respect of properties under development outstanding at the reporting date not provided for in the consolidated financial statements are as follows:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Contracted but not provided for	<u>94,297</u>	<u>365,840</u>

(b) Operating lease commitments – as lessor

At the reporting date, the Group had future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Within one year	32,706	15,693
After 1 year but within 2 years	<u>6,504</u>	<u>1,113</u>
	<u>39,210</u>	<u>16,806</u>

(c) Operating lease commitments – as lessee

At 31 December 2021, the lease commitments for short-term leases (2021: total future minimum lease payments payable by the Group under non-cancellable operating leases) are payable as follows:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Within one year	<u>42</u>	<u>106</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

18. PLEDGE OF ASSETS

At 31 December 2021, the Group's total bank borrowings of HK\$865,000,000 (30 June 2021 (Audited): HK\$865,000,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties held for sales and land and building with carrying values of approximately HK\$2,811,527,000 (30 June 2021 (Audited): HK\$3,179,059,000), HK\$1,539,000 (30 June 2021 (Audited): HK\$1,539,000) and HK\$34,390,000 (30 June 2021 (Audited): HK\$36,200,000) respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of approximately HK\$3,027,000 (30 June 2021 (Audited): HK\$1,522,000);
- (iv) mortgages over the shares of certain subsidiaries;
- (v) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties; and
- (vi) financial assets at FVTOCI of approximately HK\$146,898,000 (30 June 2021 (Audited): HK\$161,211,000).

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

Details of significant related party transactions which were carried out in the ordinary course of the Group's business are as follows:

		Six months ended 31 December	
		2021	2020
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors	7,166	5,145
	Interest paid to Dr. Chao Sze-Tsung Cecil Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") and Cecil Chao Design (Macau) Limited ("CCDML")	3,480	3,899
	Commission paid to Szehope Securities Company Limited	15	–
		–	32

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

19. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (a) Dr. Chao Sze Tsung Cecil has provided unsecured advances, to the Group at 1% over prime interest rate in Hong Kong per annum. At 31 December 2021, the advances from Dr. Chao Sze Tsung Cecil amounted to approximately HK\$129,742,000 (30 June 2021 (Audited): HK\$112,632,000). Dr. Chao Sze Tsung Cecil has confirmed that he will not request repayment of these advances in coming one year.
- (b) CCAL and CCDML rendered architectural and related services to the Group on terms agreed between both parties. Dr. Chao Sze Tsung Cecil is the beneficial owner of CCAL and CCDML. These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the reports of the directors.
- (c) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited.
- (d) Other than the above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

20. FAIR VALUE MEASUREMENT

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2, inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

20. FAIR VALUE MEASUREMENT (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

		At 31 December 2021 (Unaudited)		
		Level 1	Level 2	Total
Notes		HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at FVTPL:				
Listed equity securities held for trading				
(a)		37,552	–	37,552
Financial assets at FVTOCI (before ECL):				
Perpetual notes, listed in Hong Kong				
(b)		–	113,469	113,469
Perpetual notes, listed outside Hong Kong				
(b)		–	4,784	4,784
Debentures, listed in Hong Kong				
(b)		–	8,225	8,225
Debentures, listed outside Hong Kong				
(b)		–	34,420	34,420
		<u>37,552</u>	<u>160,898</u>	<u>198,450</u>
		At 30 June 2021 (Audited)		
		Level 1	Level 2	Total
Notes		HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at FVTPL:				
Listed equity securities held for trading				
(a)		32,101	–	32,101
Financial assets at FVTOCI (before ECL):				
Perpetual notes, listed in Hong Kong				
(b)		–	115,252	115,252
Perpetual notes, listed outside Hong Kong				
(b)		–	4,822	4,822
Debentures, listed in Hong Kong				
(b)		–	3,303	3,303
Debentures, listed outside Hong Kong				
(b)		–	51,834	51,834
		<u>32,101</u>	<u>175,211</u>	<u>207,312</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2021

20. FAIR VALUE MEASUREMENT (Continued)

There have been no transfers between levels 1, 2 and 3 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Note

(a) Listed equity securities held for trading

The listed equity securities are denominated in Hong Kong dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(b) Listed debt securities

The listed debt securities are denominated in United States dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date.

21. CONTINGENT LIABILITIES

On 31 July 2020, Empresa Industrial De Construcao Limitda (“Empresa Industrial”) commenced a court case against Top Regent, a subsidiary of the Company, for an amount of approximately MOP11,347,000 (equivalent to approximately HK\$11,017,000), plus interest, in respect of a provision of services for land levelling works. Top Regent counterclaimed Empresa Industrial for an amount of approximately MOP2,610,000 (equivalent to approximately HK\$2,534,000). The date of first hearing of this case is not yet confirm as at the date of this report.

Based on the legal advice obtained by the Group, the Board is of the opinion that the above mentioned claim has no merit and the lawsuit will not have a material adverse effect on the consolidated financial statements of the Group. Accordingly, no provision is considered necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the six months ended 31 December 2021 (the “Period”) amounted to HK\$31,610,000 (31 December 2020: HK\$878,860,000), a 96.4% decrease as compared with the same period last year. It was mainly due to no properties sold in Shenzhen during the Period (31 December 2020: HK\$836,598,000).

For property leasing, the Period recorded a decrease of 19.4% in rental income as compared with the corresponding Period in 2020, amounting HK\$25,739,000 (31 December 2020: HK\$31,921,000).

Gross loss for the Period amounted to HK\$9,760,000, as compare to a gross profit of HK\$739,410,000 for the same period last year.

Other income recorded a decrease of 29.6% to HK\$28,088,000 when compared with the same period last year. The other income for the Period were mainly attributed to dividend income and interest income. Decrease in fair value of financial assets at fair value through profit or loss amounted to HK\$546,000 (31 December 2020: increase in fair value HK\$590,000). Decrease in fair value of investment properties amounted to HK\$100,214,000 (31 December 2020: HK\$147,554,000). Administrative expenses decreased by 25.8% to HK\$27,690,000 as compared with the same period last year. Finance costs decreased by 68.4% to HK\$4,423,000 as compared with the same period last year. The decrease was mainly due to decrease in interest rate during Period. Income tax expenses decreased to HK\$789,000 (31 December 2020: HK\$643,236,000) which was mainly due to under provision of land appreciation tax and offset by overprovision of profit tax in China arisen from sale of properties in Shenzhen during previous years.

Loss attributable to owners of the Company for the Period was HK\$115,546,000 (31 December 2020: HK\$62,110,000). Basic loss per share was HK\$0.18 (31 December 2020: HK\$0.10) and fully diluted loss per share was HK\$0.18 (31 December 2020: HK\$0.10).

Final dividend of HK3.0 cents for the year ended 30 June 2021 (30 June 2020: HK5.0 cents) was paid during the Period.

The Board resolved an interim dividend for the six months ended 31 December 2021 of HK1.5 cents (31 December 2020: HK2.0 cents) payable in cash. The interim dividend will be dispatched to all shareholders on 12 April 2022.

Total Equity Attributable To The Owners Of The Company

As at 31 December 2021, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$6,937,719,000 (30 June 2021: HK\$6,873,630,000), an increase of HK\$64,089,000 or 0.9% when compared with 30 June 2021. With the total number of ordinary shares in issue of 652,676,781 as at 31 December 2021 (30 June 2021: 652,676,781 shares), the total equity attributable to the owners of the Company per share was HK\$10.63, representing an increase of 0.9% compared to HK\$10.53 as at 30 June 2021. The increase in total equity attributable to owners of the Company per share was mainly attributable to exchange adjustment on investment in Mainland China during the Period.

Other than the existing projects and those disclosed in the annual report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

Investment In Financial Assets At Fair Value Through Profit Or Loss And Other Comprehensive Income

As at 31 December 2021, the fair value of investment in listed securities and perpetual note and debentures amounted to HK\$37,552,000 and HK\$146,898,000 respectively were classified as the financial assets at fair value through profit or loss and at fair value through other comprehensive income. During the Period, the portfolio of listed securities was increased by a net acquisition of HK\$5,997,000, loss on fair value of HK\$546,000. The portfolio of perpetual note and debentures was decrease by a redemption of HK\$2,237,000 and loss on fair value of HK\$12,076,000. The investment in financial assets as at 31 December 2021 represented 1.7% (30 June 2021: 1.8%) of the total assets, which formed part of the Group's cash management activities.

Equity

The number of issued ordinary shares as at 31 December 2021 and 30 June 2021 were 652,676,781 and 652,676,781 respectively.

Debts And Gearing

As at 31 December 2021, the Group's bank and other borrowings amounted to HK\$1,006,551,000 (30 June 2021: HK\$989,165,000). Cash and bank balances amounted to HK\$1,986,520,000 (30 June 2021: HK\$1,988,157,000) and net cash and bank balances to HK\$979,969,000 (30 June 2021: HK\$998,992,000).

Total debts to equity ratio was 14.5% (30 June 2021: 14.4%) and net cash and bank balances to equity ratio was 14.1% (30 June 2021: 14.5%).

The increase in the total debt to equity ratio and decrease in net cash and bank balances to equity were mainly due to increase in advance from a director during the Period and decrease in cash and bank balances.

As at 31 December 2021, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,006,551,000, 87.1% and 12.9% were repayable within 1 year and 1 to 2 years respectively by reference to the repayment on demand clause based on scheduled repayments of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to Hong Kong Interbank Offer Rate ("HIBOR").

Pledge Of Assets

As at 31 December 2021, the Group's investment properties, properties held for sales and land and building with carrying value of HK\$2,811,527,000 (30 June 2021: HK\$3,179,059,000), HK\$1,539,000 (30 June 2021: HK\$1,539,000) and HK\$34,390,000 (30 June 2021: HK\$36,200,000) were pledged to secure general banking facilities of the Group.

Finance Costs

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$3,470,000 as compared to HK\$4,521,000 for the same period last year. Interest expenses for the Period amounted to HK\$4,423,000, representing 68.4% decrease over the interest expenses of HK\$13,973,000 recorded for the same period last year. The decrease in interest expense was mainly due to decrease in bank loans interest and other borrowing cost during the Year. The average interest rate over the Period under review was 1.1% (31 December 2020: 3.0%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property Valuation

A property valuation has been carried out by Messrs. Roma Appraisals Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 31 December 2021 and that valuation was used in preparing financial statements for the six months ended 31 December 2021. The Group's investment properties and investment properties under development were valued at HK\$4,950,407,000 and HK\$1,722,165,000 respectively making the total HK\$6,672,572,000 (30 June 2021: investment properties and investment properties under development were valued at HK\$4,977,459,000 and HK\$1,678,241,000 making the total HK\$6,655,700,000). The decrease in fair value of approximately HK\$100,214,000 was debited to the income statement for the Period. The Group's land and building held for a director's quarter carried at fair value were valued at HK\$34,390,000 (30 June 2021: HK\$36,200,000). The decrease in fair value of HK\$1,810,000 for the Period were recorded in property revaluation reserves. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2021, the Group employed a total of 75 (as at 31 December 2020: 80) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

FINANCIAL KEY PERFORMANCE INDICATOR

Profit Attributable To Owners Of The Company and Earnings Per Share

The Company uses the profit attributable to owners of the company and earnings per share as the Group's as the financial key performance indicator. The Company's aim to increase the Group's profit attributable to owners of the company and earnings per share. We compare the profit against the previous period as a measure of the performance. Detail refer to Financial Highlight section.

INTERNAL CONTROL

The Group has appointed external professional firm to perform periodic review on the internal control of the Group. Current year review will be completed by the end of the financial year.

ENVIRONMENTAL POLICIES AND COMPLIANCE

Our environmental policy is to meet all the environmental legislations which relate to our operation.

A review on the performance on our environmental policy has been carried out and will be completed by the end of the financial year.

KEY RELATIONSHIPS

Relationships with vendors

We have established relationships with numbers of suppliers for the construction and renovation work in Hong Kong, PRC and Malaysia. Other than one supplier relating to our construction work which recently has financial problem, the work originally carried by the contractor has been reassigned to other contractor. Other than this, there is no major events affecting our relationships with our suppliers.

Relationships with customers

Our sale and leasing team maintain good relationship with our customers especially our tenants.

Relationships with employees

During the Period, we are not aware of any major event affecting our relationships with our employees.

BUSINESS REVIEW

Hong Kong Properties

Hong Kong economy were seriously affected by the fifth epidemic of coronavirus. Although the economy has been slightly recovered and boosted by the distribution of the consumption coupon by the government during the third and the fourth quarter of last year, the economy is again turned down at the beginning of 2022.

The progress of our projects is as follows:

1. *One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

Occupation permits for both Phase 1 and Phase 2 have been obtained. Application for Certificate of Compliance of the whole development has already submitted.

2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

The occupancy rate of the two blocks is 85% which contributed good rental income to the Group.

3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*

The occupancy rate of the two blocks is 95% which contributed good rental income to the Group.

4. *Cheuk Nang Lookout, 30 Severn Road, The Peak*

Renovation works for the two villas is completed and under marketing.

5. *New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau*

Over 90% of the villas in Phase 1 were leased out. The overall site improvement work and construction of Phase II is in progress.

China Properties

Cheuk Nang Garden

Longhwa, Shenzhen

Shenzhen's real estate market remain action. Up to the date of this report, a total of 809 units have been sold and the sales transaction amount achieved is RMB3,582 million.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The construction of the development is completed. We have already submitted application for 規劃驗收 .

Macau Properties

The quick and immediate measures taken by the Government to prevent the spread of the pandemic. The Macau economy has gradually resumed slightly.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The lease of the land was expired in October 2021. Our lawyer in Macau has made application to renew the lease since April 2021 but the renewal process was being held up by the Government due to the completion of the Master City Planning. According to the advice from our lawyer in Macau, although under normal practice, the lease of our land may be renewed automatically on expiration, due to the Government undergo a Master City Planning in early 2021, the renewal of our lease will be handle after the City Planning. Our lawyer will contact the government officials frequently to keep us informed of the status for renewal.

Malaysia Properties

Following the disruptive impact of the COVID-19 crisis, the first half year of 2021, sharp drops in transactional activity were brought by rising infection rates and government-imposed movement restrictions, resulted in price depressions and fluctuating supply volume of residential market. The government is adopting sustainable long-term policies in dealing with COVID-19 but we anticipated that the economy will perform with uncertainty in the near future.

Phase I “Parkview”

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

The 27 units in Phase I are operated s service apartment. The demand for hotel and short-term accommodation has decreased drastically.

Phases II “Cecil Central Residence”

Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

The amended Development Order has been approved. New application for approval of the amended building plans was submitted. Due to the poor market situation, the construction plan will be delayed.

POLICY AND OUTLOOK

The Hong Kong economy will continue to be affected by omicron and geopolitical tensions.

The Hong Kong government has put their effort to fight against the virus by trying to cut the transmission chain but the effect seems cannot catch up with the speed of dispersion. The good news is the China Central Government has promised to give strong support to fight against the disease.

Although we are now facing the most difficult time, we still looking forward to the economy may resume gradually in long run, following the disease may be better under controlled eventually.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK1.5 cents (2020: HK2.0 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 29 March 2022. The interim dividend will be paid on 12 April 2022.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 23 March to 29 March 2022 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the interim dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 March 2022.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2021.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. During the period, the Company had complied with the relevant provisions set out in the Corporate Governance Code (the "CG Code") based on the principles set out in Appendix 14 to the Listing Rules, save the following:–

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code;
- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.
- (iii) Dr. Sun Ping Hsu Samson ("Dr. Sun"), an independent non-executive director of the Company, was passed away on 28 November 2021. We are still looking for suitable person to be appointed as an independent non-executive director to fill the casual vacancy left by Dr. Sun.

REVIEW OF INTERIM RESULTS

During the period, owing to the passing away of Dr. Sun, the Board Audit Committee comprises Mr. Lam Ka Wai, Graham (independent non-executive director) and Mr. Lee Ding Yue, Joseph (non-executive director). The Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Company for the six months ended 31 December 2021. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

The interim financial statements for the six months ended 31 December 2021 have not been audited but have been reviewed by the Company's external auditor.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the six months ended 31 December 2021. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2021, the interests and short positions of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Equity	Personal interest	Corporate interests
Chao Sze-Tsung Cecil	Ordinary Shares of	32,573,397 shares	453,408,112 shares
Lee Ding Yue Joseph	Ordinary Shares of	1,765,767 shares	–

Note: The shareholdings disclosed by Dr. Cecil Sze-Tsung Chao under the heading "Corporate Interests" in the above represents the shares held by Yan Yin Company Limited and Szehope Securities Company Limited, substantial shareholders of the Company.

The Company did not grant to the Directors, Chief Executive or their associates any right to subscribe for shares in the Company.

Save as disclosed above, none of the Directors or their associates had any interest or short position in the shares of the Company or its subsidiaries as at 31 December 2021 that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the year was the Company, any of its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 24 February 2022