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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2023 (the “Period”) together with the comparative figures for the corresponding period in 2022:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		HKS'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	270,638	1,181,426
Cost of goods and services provided		(23,743)	(19,796)
Gross profit		246,895	1,161,630
Other income	5	7,844	7,377
Investment expenses, net	6	(31,184)	(204,079)
Administrative expenses		(171,520)	(177,390)
(Loss) gain on disposals of equipment, net		(13)	355
Fair value changes on investment properties		190,538	104,400
Finance costs	7	(108,742)	(54,829)
Other gains and losses		(680)	-
Share of results of investments accounted for using the equity method		38,787	43,392
Profit before tax		171,925	880,856
Income tax expense	8	(25,240)	(10,290)
Profit for the period	9	146,685	870,566

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expenses)			
<i>Items that will not be reclassified to profit or loss</i>			
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income		(112,901)	(869,627)
Share of other comprehensive expenses of investments accounted for using the equity method		(102)	(53)
		<u>(113,003)</u>	<u>(869,680)</u>
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>255,870</u>	<u>(452,076)</u>
Other comprehensive income (expenses) for the period (net of tax)		<u>142,867</u>	<u>(1,321,756)</u>
Total comprehensive income (expenses) for the period		<u>289,552</u>	<u>(451,190)</u>
Profit for the period attributable to:			
Owners of the Company		146,599	870,537
Non-controlling interests		86	29
		<u>146,685</u>	<u>870,566</u>
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		289,466	(451,219)
Non-controlling interests		86	29
		<u>289,552</u>	<u>(451,190)</u>
Earnings per share (HK\$)			
Basic and diluted	11	<u>0.077</u>	<u>0.456</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		14,024,947	13,369,124
Property, plant and equipment		199,393	133,944
Right-of-use assets		99,277	91,934
Intangible assets		-	-
Investments accounted for using the equity method		1,861,144	1,840,959
Advances to associates		42,957	42,745
Financial assets measured at fair value through profit or loss		70,107	87,635
Financial assets measured at fair value through other comprehensive income		465,005	525,780
Advance to an investee company		101,905	101,905
Deferred tax assets		979	834
Pledged deposits		81,349	76,697
Deposits and prepayments	12	1,949	84,081
		<u>16,949,012</u>	<u>16,355,638</u>
Current assets			
Stock of properties		23,316	23,316
Financial assets measured at fair value through profit or loss		382,132	562,294
Financial assets measured at fair value through other comprehensive income		62,336	109,766
Inventories		5,316	4,642
Debtors, deposits, other receivables and prepayments	12	199,478	186,468
Securities trading receivables and deposits		26,100	41,007
Tax recoverable		16,026	13,886
Pledged deposits		69,656	71,128
Time deposits, bank balances and cash		935,969	2,038,768
		<u>1,720,329</u>	<u>3,051,275</u>
Assets classified as held for sale		-	27,602
		<u>1,720,329</u>	<u>3,078,877</u>
Current liabilities			
Creditors and accruals	13	178,010	245,191
Securities trading and margin payable		8,537	9,809
Deposits and receipts in advance		91,180	84,595
Lease liabilities		40,229	35,332
Tax liabilities		5,035	4,022
Borrowings		1,893,111	2,681,151
Derivative financial instrument		71	-
		<u>2,216,173</u>	<u>3,060,100</u>
Net current (liabilities) assets		<u>(495,844)</u>	<u>18,777</u>
Total assets less current liabilities		<u>16,453,168</u>	<u>16,374,415</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30 June 2023

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Equity attributable to owners of the Company		
Share capital	190,762	190,762
Financial assets measured at fair value through other comprehensive income reserve	(1,856,625)	(1,743,622)
Contribution reserve	206,627	206,627
Statutory reserve	748	748
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(579,061)	(834,931)
Retained profits	<u>13,668,802</u>	<u>13,522,203</u>
	14,269,000	13,979,534
Non-controlling interests	<u>23,376</u>	<u>23,309</u>
Total equity	<u>14,292,376</u>	<u>14,002,843</u>
Non-current liabilities		
Borrowings	1,955,566	2,205,781
Amounts due to associates	35,077	34,579
Amounts due to investee companies	31,578	14,648
Amounts due to non-controlling shareholders	275	275
Lease liabilities	55,787	53,244
Deferred tax liabilities	<u>82,509</u>	<u>63,045</u>
	<u>2,160,792</u>	<u>2,371,572</u>
	<u>16,453,168</u>	<u>16,374,415</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. Basis of Preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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”).

Going concern basis

As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$495,844,000. Notwithstanding the above, these unaudited condensed consolidated financial statements have been prepared on a going concern basis.

The management closely monitors the Group’s financial performance and liquidity position. The validity of the going concern basis of preparation of these unaudited condensed consolidated financial statements depends upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its financial obligations as and when they fall due, and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Based on the latest communications with the banks, the directors of the Company (“Directors”) are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the bank borrowings, and the Directors believe that the existing bank facilities will be renewed or roll-overed when their current terms expire given the good track records and relationships the Group has with the banks. Further, the Group has unutilised loan facility from a Director.

The Directors have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 June 2023. Based on the cash flow projections, the Directors believe that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2023. The management has made key assumptions in the preparation of the projections with regard to the anticipated cash flows from the Group’s operations, capital expenditures and the continuous availability of bank facilities. The Group’s ability to achieve the projected cash flows depends on the continuous availability of bank facilities from the banks.

In view of the above, the Directors are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Directors have prepared these unaudited condensed consolidated financial statements on a going concern basis.

2. Principal Accounting Policies

The accounting policies adopted in these unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022 except as described below.

In the current period, the Group has applied the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (“New and Amended HKFRSs”) issued by the HKICPA for the first time, including those which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of these unaudited condensed consolidated financial statements:

HKFRS 17	Insurance Contracts and the related Amendments
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform - Pillar Two Model Rules

The application of the New and Amended HKFRSs had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

2. Principal Accounting Policies (continued)

The Group has not early adopted the following amendments to HKFRSs (“Amendments”) that have been issued but are not yet effective.

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback ¹
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ¹
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after a date to be determined

The Directors are in the process of assessing the potential impact of the Amendments but are not yet in a position to determine whether the Amendments will have a material impact on the Group’s performance and financial position and on the disclosures. The Amendments may result in changes to how the Group’s performance and financial position are prepared and presented in the future.

3. Revenue

Revenue represents the aggregate amounts of commission from brokerage, settlement charges from brokerage, cosmetics goods sold less returns, building and property management services income, amounts received and receivable from property rental income, interest income from bonds and structured products, dividend income from listed and unlisted equity investments and gain on sales of investments held-for-trading. Revenue is analysed as follows:

	Six months ended 30 June	
	2023	2022
	HK\$’000	HK\$’000
Revenue from contracts with customers:		
<i>Recognised on a point in time basis</i>		
Brokerage and cosmetics income	6,708	7,479
<i>Recognised on over time basis</i>		
Building and property management services income	27,010	25,151
	33,718	32,630
Revenue from other sources:		
Property rental income	130,352	157,139
Interest income from		
- bonds (<i>note (i)</i>)	5,628	12,896
- structured products (<i>note (i)</i>)	64	416
	5,692	13,312
Dividend income from		
- listed equity investments (<i>note (i)</i>)	2,769	3,354
- unlisted equity investments (<i>note (ii)</i>)	36,600	950,750
	39,369	954,104
Gain on sales of investments held-for-trading	61,507	24,241
	236,920	1,148,796
Total revenue	270,638	1,181,426

Notes:

(i) The interest income from bonds and structured products and dividend income from listed equity investments were derived from financial assets measured at fair value through profit or loss (“FVTPL”).

(ii) The dividend income from unlisted equity investments was derived from financial assets measured at fair value through other comprehensive income (“FVTOCI”).

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has six reportable segments – (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed equity investments at FVTOCI; (v) investments and treasury products at FVTPL; and (vi) unlisted investments, investment holding and brokerage, and the remaining businesses of the Group grouped under all other segments. The segmentations are based on the information about the operations of the Group that management of the Group uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed equity investments at FVTOCI	–	Listed equity securities at FVTOCI
Investments and treasury products at FVTPL	–	Securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage
All other segments	–	Cosmetics distribution and trading, provision of building and property management services and others

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are unrealised fair value changes on investment properties and other properties together with, if applicable, their respective deferred tax.

No operating segments have been aggregated in arriving at the six reportable segments described above.

Unallocated corporate assets mainly comprised land and building for own use, right-of-use assets, deferred tax assets, tax recoverable and cross currency swap.

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, amounts due to associates, amounts due to investee companies, amounts due to non-controlling shareholders, lease liabilities and deferred tax liabilities.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different markets and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and results are attributed to countries on the basis of the property or asset location.

There was no major customer who individually accounted for 10% or more of the Group's revenue during the six months ended 30 June 2023 and 2022.

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	175,517	-	-	175,517
- Other countries	-	-	-	-	400,644	-	-	400,644
	-	-	-	-	576,161	-	-	576,161
Revenue								
Dividend and interest income and gain on sales of investments held-for-trading								
- Hong Kong	36,000	-	-	-	15,086	-	600	51,686
- Other countries	-	-	-	-	54,882	-	-	54,882
Revenue from external customers								
- Hong Kong	-	16,085	61,759	-	-	1,545	32,173	111,562
- United Kingdom	-	15,533	36,975	-	-	-	-	52,508
	36,000	31,618	98,734	-	69,968	1,545	32,773	270,638
Revenue (excluding dividend income from segments of property development and trading and property leasing)	-	31,618	98,734	-	69,968	1,545	32,773	234,638
Attributable property sales from an investee company								
- Hong Kong	80,855	-	-	-	-	-	-	80,855
Attributable rental revenue from associates/investee company								
- Hong Kong	-	8,217	24,161	-	-	-	-	32,378
- Mainland China	-	23,100	2,955	-	-	-	-	26,055
	80,855	62,935	125,850	-	69,968	1,545	32,773	373,926
Results								
Segment results								
- Hong Kong	36,000	13,546	59,965	-	(54,949)	19,454	20,465	94,481
- United Kingdom	-	14,513	32,477	-	-	1,334	-	48,324
- Mainland China	-	-	(13)	-	-	2,081	-	2,068
- Other countries	-	-	-	-	65,204	6,335	-	71,539
	36,000	28,059	92,429	-	10,255	29,204	20,465	216,412
Share of results of investments accounted for using the equity method								
- Attributable gross income								
- Hong Kong	-	7,995	23,967	-	-	-	1,095	33,057
- Mainland China	-	23,100	2,955	-	-	-	-	26,055
- Attributable operating cost								
- Hong Kong	-	(721)	(4,295)	-	-	-	-	(5,016)
- Mainland China	-	(8,857)	(1,635)	-	-	-	-	(10,492)
	36,000	49,576	113,421	-	10,255	29,204	21,560	260,016
Other income	-	-	2,964	-	-	-	-	2,964
Share of results of investments accounted for using the equity method								
- Income tax and others	-	(15,187)	(679)	-	-	-	59	(15,807)
	36,000	34,389	115,706	-	10,255	29,204	21,619	247,173
Unallocated items								
Unallocated corporate expenses, net								(168,034)
Finance costs								(108,742)
Income tax expense								(14,504)
Non-controlling interests								(86)
Operating loss for the period attributable to owners of the Company								(44,193)
Deferred tax credit on realised fair value changes on disposal of an investment property recognised in current period								528
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								201,528
- Deferred tax expense								(11,264)
Profit for the period attributable to owners of the Company								146,599
Core loss (excluding major non-cash items)								
Operating loss for the period attributable to owners of the Company								(44,193)
Accumulated realised fair value changes and related deferred tax on disposal of an investment property								
- Recognised in current period								528
- Recognised in prior years								521
Core loss for the period attributable to owners of the Company								(43,144)

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 30 June 2023

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	181,381	1,493,138	5,953,738	62,336	251,649	300,467	252,020	8,494,729
- United Kingdom	-	949,074	6,618,485	-	-	-	-	7,567,559
- Mainland China	112,290	-	125	-	-	750	-	113,165
- Other countries	-	-	-	-	146,609	261,726	-	408,335
Investments accounted for using the equity method								
- Hong Kong	52,059	379,181	1,419,369	-	-	1,426	9,109	1,861,144
Advances to associates								
- Hong Kong	1,952	-	150	-	-	2	1,226	3,330
- Mainland China	-	-	39,627	-	-	-	-	39,627
Reportable segment assets	347,682	2,821,393	14,031,494	62,336	398,258	564,371	262,355	18,487,889
Unallocated corporate assets								181,452
Consolidated total assets								18,669,341
Liabilities								
Segment liabilities								
- Hong Kong	36,317	14,500	97,687	15	359	10,406	16,222	175,506
- United Kingdom	-	16,764	85,258	-	-	-	-	102,022
- Mainland China	-	-	-	-	-	2	-	2
- Other countries	-	-	-	-	268	-	-	268
Reportable segment liabilities	36,317	31,264	182,945	15	627	10,408	16,222	277,798
Unallocated corporate liabilities								4,099,167
Consolidated total liabilities								4,376,965
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	-	226	198,477	-	-	397	79	

Other Material Items
For the six months ended 30 June 2023

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustment related to realised fair value changes HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed consolidated statement of comprehensive income HK\$'000
Interest income	27,173	-	-	-	27,173
Finance costs	-	(108,742)	-	-	(108,742)
Net income (expenses)	27,173	(108,742)	-	-	(81,569)
Depreciation of:					
- Property, plant and equipment	-	(25,828)	-	-	(25,828)
- Right-of-use assets	-	(23,386)	-	-	(23,386)
Fair value changes on investment properties	-	-	-	190,538	190,538
Share of results of investments accounted for using the equity method	27,797	-	-	10,990	38,787
Income tax (expense) credit	-	(14,504)	528	(11,264)	(25,240)
Non-controlling interests	-	(86)	-	-	(86)

4. Operating Segments (continued)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	164,304	378,242	-	-	542,546
- Other countries	-	-	-	-	540,643	-	-	540,643
	-	-	-	164,304	918,885	-	-	1,083,189
Revenue								
Dividend and interest income and gain on sales of investments held-for-trading								
- Hong Kong	950,000	-	-	-	18,537	-	750	969,287
- Other countries	-	-	-	-	22,370	-	-	22,370
Revenue from external customers								
- Hong Kong	-	16,788	62,106	-	-	2,575	30,055	111,524
- United Kingdom	-	18,825	59,420	-	-	-	-	78,245
	950,000	35,613	121,526	-	40,907	2,575	30,805	1,181,426
Revenue (excluding dividend income from segments of property development and trading and property leasing)								
Attributable property sales from an investee company	-	35,613	121,526	-	40,907	2,575	30,805	231,426
- Hong Kong	133,114	-	-	-	-	-	-	133,114
Attributable rental revenue from associates/investee company								
- Hong Kong	-	8,640	22,307	-	-	-	-	30,947
- Mainland China	-	8,759	2,900	-	-	-	-	11,659
	133,114	53,012	146,733	-	40,907	2,575	30,805	407,146
Results								
Segment results								
- Hong Kong	950,000	15,118	60,261	-	(60,862)	1,791	18,119	984,427
- United Kingdom	-	15,116	61,416	-	-	50	-	76,582
- Mainland China	-	-	-	-	-	3,277	-	3,277
- Other countries	-	-	-	-	(117,431)	8,829	-	(108,602)
	950,000	30,234	121,677	-	(178,293)	13,947	18,119	955,684
Share of results of investments accounted for using the equity method								
Attributable gross income								
- Hong Kong	-	8,163	22,142	-	-	-	1,079	31,384
- Mainland China	-	8,759	2,900	-	-	-	-	11,659
Attributable operating cost								
- Hong Kong	-	(729)	(4,781)	-	-	-	-	(5,510)
- Mainland China	-	(6,315)	(1,659)	-	-	-	-	(7,974)
	950,000	40,112	140,279	-	(178,293)	13,947	19,198	985,243
Other income	-	-	130	-	-	-	-	130
Finance income	-	-	-	-	32	-	-	32
Share of results of investments accounted for using the equity method								
- Income tax and others	-	4,973	798	-	-	-	(219)	5,552
	950,000	45,085	141,207	-	(178,261)	13,947	18,979	990,957
Unallocated items								
Unallocated corporate expenses, net								(167,921)
Unallocated finance costs								(54,861)
Income tax expense								(10,086)
Non-controlling interests								(29)
Operating profit for the period attributable to owners of the Company								
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								112,681
- Deferred tax expense								(204)
Profit for the period attributable to owners of the Company								
Core profit for the period attributable to owners of the Company								

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 31 December 2022

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	216,170	2,556,174	5,941,338	109,766	350,351	310,488	236,041	9,720,328
- United Kingdom	-	902,062	6,073,410	-	-	-	-	6,975,472
- Mainland China	110,556	-	2,659	-	-	740	-	113,955
- Other countries	-	-	-	-	251,138	290,596	-	541,734
Investments accounted for using the equity method								
- Hong Kong	51,796	381,393	1,396,670	-	-	1,615	9,485	1,840,959
Advances to associates								
- Hong Kong	1,947	-	149	-	-	2	1,225	3,323
- Mainland China	-	-	39,422	-	-	-	-	39,422
Reportable segment assets	<u>380,469</u>	<u>3,839,629</u>	<u>13,453,648</u>	<u>109,766</u>	<u>601,489</u>	<u>603,441</u>	<u>246,751</u>	<u>19,235,193</u>
Assets classified as held for sale								27,602
Unallocated corporate assets								<u>171,720</u>
Consolidated total assets								<u>19,434,515</u>
Liabilities								
Segment liabilities								
- Hong Kong	36,067	15,394	107,305	18	194	11,837	9,375	180,190
- United Kingdom	-	14,060	142,389	-	-	-	-	156,449
- Mainland China	59	-	2,267	-	-	2	-	2,328
- Other countries	-	-	-	-	625	3	-	628
Reportable segment liabilities	<u>36,126</u>	<u>29,454</u>	<u>251,961</u>	<u>18</u>	<u>819</u>	<u>11,842</u>	<u>9,375</u>	<u>339,595</u>
Unallocated corporate liabilities								<u>5,092,077</u>
Consolidated total liabilities								<u>5,431,672</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>-</u>	<u>19,468</u>	<u>320,780</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>124</u>	

Other Material Items

For the six months ended 30 June 2022

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed consolidated statement of comprehensive income HK\$'000
Interest income	18,186	-	-	18,186
Finance income (costs)	32	(54,861)	-	(54,829)
Net income (expenses)	18,218	(54,861)	-	(36,643)
Depreciation of:				
- Property, plant and equipment	-	(36,618)	-	(36,618)
- Right-of-use assets	-	(30,073)	-	(30,073)
Fair value changes on investment properties	-	-	104,400	104,400
Share of results of investments accounted for using the equity method	35,111	-	8,281	43,392
Income tax expense	-	(10,086)	(204)	(10,290)
Non-controlling interests	-	(29)	-	(29)

5. Other Income

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Included in other income are:		
Rental services income	1,642	1,701
Leasing administration services and property administration services income	2,602	2,327
Advisory and consultancy services income	19	19
Dilapidations settlement received from tenants in respect of properties in the United Kingdom	2,964	130
Government subsidy - Employment Support Scheme (<i>note</i>)	-	1,139
Overprovision of reinstatement costs in respect of leased properties	-	1,200
	20,869	(204,079)

Note: During the six months ended 30 June 2022, the government subsidy was granted under Employment Support Scheme which aimed to retain employment under the Anti-epidemic Fund of the Government of Hong Kong Special Administrative Region of the People's Republic of China ("PRC").

6. Investment Expenses, Net

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Financial assets/liabilities measured at fair value through profit or loss:		
Unrealised loss arising from change in fair value of bonds	(32,861)	(90,525)
Realised (loss) gain arising from change in fair value of bonds		
- Change in fair value	(4,073)	179
- Exchange component of change	286	76
Net loss arising from change in fair value of bonds	(36,648)	(90,270)
Unrealised gain arising from change in fair value of structured products and derivative financial instruments	219	260
Realised gain arising from change in fair value of structured products and derivative financial instruments	181	120
Net gain arising from change in fair value of structured products and derivative financial instruments	400	380
Unrealised loss arising from change in fair value of investments held-for-trading	(23,004)	(122,895)
Unrealised gain arising from change in fair value of club debentures	2,026	170
Unrealised gain arising from change in fair value of cross currency swap	549	3,490
Realised loss arising from change in fair value of cross currency swap	(1,250)	(1,623)
Net (loss) gain arising from change in fair value of cross currency swaps	(701)	1,867
Other investment income, net	5,874	2,414
Interest income from other financial assets	20,869	4,255
	(31,184)	(204,079)

7. Finance Costs

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	110,534	43,718
Other borrowings	-	5
Lease liabilities	1,683	424
Total interest	<u>112,217</u>	<u>44,147</u>
Exchange (gain) loss on translation of foreign currency bank and other borrowings, net	(705)	5,115
Other finance costs	<u>1,284</u>	<u>6,812</u>
	<u>112,796</u>	<u>56,074</u>
Less: Interest capitalised to investment properties under construction	<u>(4,054)</u>	<u>(1,245)</u>
	<u>108,742</u>	<u>54,829</u>

During the Period, the Group has capitalised borrowing costs at a rate of 4.54% (2022: 1.39%) per annum, amounting to approximately HK\$4,054,000 (2022: HK\$1,245,000) on qualifying assets.

8. Income Tax Expense

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	2,505	1,897
Other than Hong Kong	7,172	7,727
	9,677	9,624
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(20)	62
Other than Hong Kong	(1,284)	-
	(1,304)	62
Deferred tax:		
Current period charge	16,867	604
	<u>25,240</u>	<u>10,290</u>

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5% (2022: 16.5%). The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2022: 25%). During the Period, the Group is subject to tax rate in the United Kingdom that has been changed from 19% to 25% (2022: 19%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Profit for the Period

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(72,948)	(77,025)
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$496,000 (2022: HK\$104,000)	(3,921)	(4,314)
	(76,869)	(81,339)
Auditors' remuneration for audit services:		
Auditors of the Company		
- Current period	(1,019)	(1,050)
Other auditors		
- Current period	(182)	(143)
- Underprovision in prior years	-	(33)
	(1,201)	(1,226)
Auditors' remuneration for non-audit services:		
Auditors of the Company	(100)	(100)
Depreciation of:		
- Property, plant and equipment	(25,828)	(36,618)
- Right-of-use assets	(23,386)	(30,073)
	(49,214)	(66,691)
Exchange loss, net	(323)	(190)
Rental expenses from short-term leases	(1,935)	(504)
Cost of cosmetics products sold	(2,594)	(3,001)
Share of tax of investments accounted for using the equity method (included in share of results of investments accounted for using the equity method)		
- Share of tax of associates	(4,483)	(4,188)
Gross proceeds on sales of investments held-for-trading	484,295	853,099
Carrying amount of investments held-for-trading disposed of	(421,871)	(827,087)
Transaction costs on sales of investments held-for-trading	(917)	(1,771)
Gain on sales of investments held-for-trading included in revenue	61,507	24,241
Gross rental income from investment properties	130,352	157,139
Less: Direct operating expenses from investment properties that generated rental income during the period	(3,572)	(3,701)
Direct operating expenses from investment properties that did not generate rental income during the period	(6,292)	(1,527)
	120,488	151,911
Allowance for credit losses recognised in respect of interest receivables from bonds	-	(4,485)

10. Dividends

No dividend (2022: nil) was paid during the Period.

The Board has resolved not to declare any interim dividend for the Period (2022: nil) after interim period end.

11. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Earnings :		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	<u>146,599</u>	<u>870,537</u>
	Number of shares	
	Six months ended 30 June	
	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

Diluted earnings per share for the six months ended 30 June 2023 and 2022 were the same as the basic earnings per share as there were no potential ordinary shares of the Company in issue during both periods.

12. Debtors, Deposits, Other Receivables and Prepayments

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables (net of allowance for credit losses)	15,011	8,936
Deposits and prepayments	56,414	136,045
Interest receivables from bonds and structured products (net of allowance for credit losses)	2,392	2,791
Other receivables	<u>127,610</u>	<u>122,777</u>
	<u>201,427</u>	<u>270,549</u>
Analysed for reporting purpose as:		
Non-current	1,949	84,081
Current	<u>199,478</u>	<u>186,468</u>
	<u>201,427</u>	<u>270,549</u>

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$15,011,000 (31 December 2022: HK\$8,936,000), which comprised rental and building management fee receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from property management services and cosmetics business.

The carrying amounts of trade receivables (net of allowance for credit losses) of the Group's major businesses are as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Rental receivables from property leasing	7,187	1,183
Receivables from building and property management services	5,258	6,152
Receivables from cosmetics business	<u>2,566</u>	<u>1,601</u>
	<u>15,011</u>	<u>8,936</u>

12. Debtors, Deposits, Other Receivables and Prepayments (continued)

The following is the aged analysis of trade receivables (net of allowance for credit losses), presented based on the respective revenue recognition dates, at the end of the reporting period:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0 - 30 days	10,186	4,813
31 - 60 days	2,899	2,640
61 - 90 days	683	637
Over 90 days	1,243	846
	15,011	8,936

13. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$4,642,000 (31 December 2022: HK\$2,136,000).

The following is the aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0 - 90 days	323	1,628
Over 90 days	4,319	508
	4,642	2,136

14. Capital Commitments

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Authorised and contracted for:		
Capital investment in limited partnership (note)	43,183	51,866
Redevelopment expenditure of properties	636,894	638,180
Purchases of equipment and leasehold improvement	7,390	14,399
Refurbishment of properties	1,095	2,396
	688,562	706,841

Note: The Group had committed to make a capital contribution of United States dollar ("US\$")100,000,000 (equivalent to HK\$783,880,000) in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands ("Cayman Islands Partnership"). Up to the end of the reporting period, approximately US\$94,491,000 (equivalent to approximately HK\$733,015,000) (31 December 2022: US\$93,349,000 (equivalent to approximately HK\$724,064,000)) among the contribution has been contributed by the Group. The outstanding amount was approximately US\$5,509,000 (equivalent to approximately HK\$43,183,000, after exchange adjustment) (31 December 2022: US\$6,651,000 (equivalent to approximately HK\$51,866,000, after exchange adjustment)).

15. Contingent Liabilities

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000
Guarantee given to a bank in respect of a banking facility utilised by an investee company/indemnity given to a third party in relation to an investee company	613,830	613,830
	628,830	628,830

No provision for financial guarantee contracts and/or deed of indemnity have been made as at 30 June 2023 and 31 December 2022 as the Directors considered the default risk is low.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2022: nil).

Having considered the Company's dividend policy, to preserve more cash for the Group's future financial, property investment or securities investment opportunities, the Board has resolved not to declare any interim dividend for the Period (2022: nil).

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Period amounted to HK\$270.6 million (2022: HK\$1,181.4 million), a decrease of 77.1% over the same period of last year and comprised gross rental income of HK\$130.3 million (2022: HK\$157.1 million), gain on sales of investments held-for-trading on a net basis of HK\$61.5 million (2022: HK\$24.2 million), dividend income from listed and unlisted equity investments of HK\$39.4 million (2022: HK\$954.1 million), interest income from bonds and structured products of HK\$5.7 million (2022: HK\$13.3 million), building and property management services income of HK\$27.0 million (2022: HK\$25.2 million) and others of HK\$6.7 million (2022: HK\$7.5 million). The decrease in revenue was mainly due to decrease of dividend income from an investee company engages in property development and trading of HK\$914.0 million for the Period.

Gross Profit

Gross profit for the Period amounted to HK\$246.9 million (2022: HK\$1,161.6 million), a decrease of 78.7% as compared with the same period of last year which was also mainly due to decrease in dividend income from an investee company for the Period.

Property Leasing

For property leasing, the rental revenue in non-retail section decreased by 18.8% to HK\$98.7 million and retail section decreased by 11.2% to HK\$31.6 million during the Period. The total rental income in revenue for the Period recorded a decrease of 17.1% to HK\$130.3 million as compared with the same period of last year of HK\$157.1 million.

Together with the attributable rental revenue generated from associates and an investee company of HK\$58.5 million (2022: HK\$42.6 million), the total attributable rental revenue to the Group amounted to HK\$188.8 million (2022: HK\$199.7 million), which represents a decrease of 5.5% over the same period of last year.

Attributable net rental income for the Period showed HK\$163.0 million, a decrease of 9.6% over HK\$180.4 million in the same period of last year.

Property Development and Trading

During the Period, the Group did not dispose of any trading property (2022: no disposal).

In respect of properties held by an investee company, sales of 59 units and certain parking spaces of Grand Central in Kwun Tong (10% interest) were recorded by the investee company during the Period. Following the recognition of sales and profits by the investee company, the investee company declared dividend and hence dividend income from the investee company had contributed HK\$36.0 million (2022: HK\$950.0 million) to the Group's revenue and profit during the Period.

The Group's investee company recorded an attributable sales of HK\$80.9 million (2022: HK\$133.1 million) for the Period.

Securities Investments

The Group has in the ordinary and usual course of business conducted its securities investment activities, as at 30 June 2023, comprised bonds, listed equity investments and treasury products. During the Period, the net profit (excluding gain/loss recognised in financial assets measured at FVTOCI reserve) recognised from securities investments and treasury products representing net profit on investments and treasury products at FVTPL of HK\$10.3 million (2022: net loss of HK\$178.3 million).

Investments and Treasury Products at Fair Value Through Profit or Loss

During the Period, the Group disposed of listed investments held-for-trading and recognised a realised gain of HK\$61.5 million (2022: HK\$24.2 million) (the gains/losses of which was included in revenue) with gross proceeds of HK\$484.3 million (2022: HK\$853.1 million). In addition, realised loss on bonds of HK\$3.8 million (2022: realised gain of HK\$0.3 million) and realised gain on structured products and derivatives of HK\$0.2 million (2022: HK\$0.1 million) were recorded during the Period.

During the Period, the Group recorded an unrealised loss of HK\$55.6 million (2022: HK\$213.2 million) representing the changes in fair value of bonds, listed equity investments, structured products and derivatives, comprised unrealised loss on bonds of HK\$32.8 million (2022: HK\$90.5 million), unrealised loss on listed investments held-for-trading of HK\$23.0 million (2022: HK\$122.9 million) and unrealised gain on structured products and derivatives of HK\$0.2 million (2022: HK\$0.2 million), which had no effect on the cash flow of the Group. The unrealised loss on bonds mainly included a bond issued by PRC-based real estate developer of HK\$38.2 million, the Group believes that the decrease in price of bond in the industry of PRC-based real estate in the Period, among others, was owing to concerns about the liquidity and going concern issues and the tightening gearing policy over the real estate developers in the PRC. Given the volatility of the stock markets during the Period, the price of listed equity investments experienced a downside in general. In addition, certain of the shares listed on the Stock Exchange held by the Group were suspended from trading at the end of the reporting period.

During the Period, interest income from bonds and structured products (which were included in revenue) amounted to HK\$5.6 million (2022: HK\$12.9 million) and HK\$0.1 million (2022: HK\$0.4 million) respectively. Together with dividend income from listed equity investments at FVTPL (which were included in revenue) of HK\$2.8 million (2022: HK\$3.4 million), the Group recognised interest/dividend income from investments and treasury products at FVTPL of HK\$8.5 million (2022: HK\$16.7 million) for the Period.

Summing up the realised and unrealised gain/loss and adding the net income from net dividend income, interest income and other investment income/expenses of HK\$8.0 million (2022: net income from net dividend income, interest income, other investment income/expenses and net finance income/costs of HK\$10.3 million), the net profit recognised from securities investments and treasury products was HK\$10.3 million (2022: net loss of HK\$178.3 million) for the Period.

Other Income and Expenses

During the Period, the Group recorded other income of HK\$7.8 million (2022: HK\$7.4 million).

During the Period, administrative expenses decreased by 3.3% to HK\$171.5 million (2022: HK\$177.4 million). Finance costs increased by 98.4% to HK\$108.7 million (2022: HK\$54.8 million) during the Period, including exchange gain of HK\$0.7 million on translation of foreign currency bank borrowing (2022: exchange loss of HK\$5.1 million). The increase in finance costs was mainly due to the surge in average interest rate during the Period.

Other gains and losses for the Period recorded a loss of HK\$0.7 million (2022: nil).

Investments Accounted for Using the Equity Method

The share of results of investments accounted for using the equity method for the Period recorded a profit from the share of results of associates of HK\$38.8 million (2022: HK\$43.4 million).

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30 June 2023 by B.I. Appraisals Limited (“B.I. Appraisals”) whereas investment properties in the United Kingdom were revalued by LCH (Asia-Pacific) Surveyors Limited (“LCH (Asia-Pacific)”). B.I. Appraisals and LCH (Asia-Pacific) are independent qualified professional property valuers. An unrealised gain on fair value changes of investment properties of HK\$190.5 million (2022: HK\$104.4 million) was recorded during the Period. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

Profit, Core Loss/Profit, Dividends, Repurchase and Total Comprehensive Income/Expenses

Profit

Profit for the Period attributable to owners of the Company was HK\$146.6 million as compared to HK\$870.5 million for the same period of last year. The decrease in profit for the Period was mainly due to (a) decrease in dividend income from an investee company; (b) increase in finance costs; despite of (c) results of investments and treasury products at FVTPL turning from loss to profit; and (d) increase in gain on fair value changes of investment properties during the Period. Earnings per share for the Period was HK\$0.08 (2022: HK\$0.46).

Core Loss/Profit

Core profit/loss is a non-HKFRS measure, is arrived at by adding (i) reported profit/loss excluding unrealised fair value changes of investment properties and other properties together with their respective deferred tax (if applicable) during the Period; and (ii) accumulated realised fair value changes of investment properties and other properties together with their respective deferred tax (if applicable) recognised in prior years. The Group believes that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impact of certain items.

If the net gain on the major non-cash items of HK\$190.2 million (2022: HK\$112.4 million) is excluded, but the accumulated realised fair value gain and related deferred tax recognised in prior years on disposal of an investment property of HK\$0.5 million is included, the Group will have a core loss for the Period attributable to owners of the Company of HK\$43.1 million (2022: core profit of HK\$758.1 million) and a core loss per share of HK\$0.02 (2022: core profit per share of HK\$0.40).

The major non-cash items represented the attributable net unrealised fair value gain on investment properties together with their respective deferred tax from the Group and its associates of HK\$190.2 million (2022: HK\$112.4 million).

Dividends

No dividend was paid during the Period (2022: nil).

Repurchase

During the Period, the Company had not repurchased any of the Company’s share.

Total Comprehensive Income/Expenses

Total comprehensive income for the Period attributable to owners of the Company was HK\$289.5 million or HK\$0.15 per share (2022: total comprehensive expenses of HK\$451.2 million or HK\$0.24 per share), which comprised (a) profit for the Period attributable to owners of the Company of HK\$146.6 million (2022: HK\$870.5 million); and (b) other comprehensive income for the Period attributable to owners of the Company of HK\$142.9 million (2022: other comprehensive expenses of HK\$1,321.7 million) which mainly included (i) unrealised loss of HK\$30.8 million (2022: HK\$786.6 million) on fair value change of an unlisted equity security at FVTOCI as a result of the decrease in the carrying amount of the unlisted equity security by the corresponding amount upon declaration of dividend of HK\$36.0 million (2022: HK\$950.0 million) (as disclosed in the sub-paragraph headed “Property Development and Trading” of paragraph headed “Results” above); (ii) unrealised loss on fair value change of a listed equity investment at FVTOCI of HK\$47.4 million (2022: HK\$35.2 million); and (iii) Pound Sterling (“GBP”) exchange gain of foreign operations of HK\$260.9 million (2022: exchange loss of HK\$437.6 million).

Net Asset Value

As at 30 June 2023, the Group's net asset value attributable to owners of the Company amounted to HK\$14,269.0 million (31 December 2022: HK\$13,979.5 million), an increase of HK\$289.5 million or 2.1% when compared with 31 December 2022. With the total number of ordinary shares in issue of 1,907,619,079 as at 30 June 2023 and 31 December 2022, the net asset value per share attributable to owners of the Company was HK\$7.48 (31 December 2022: HK\$7.33). The movement in net asset value represented total comprehensive income for the Period attributable to owners of the Company of HK\$289.5 million.

In view of the redevelopment plan of properties in Tsuen Wan, Hong Kong and "120 Fleet Street" in London, United Kingdom, certain redevelopment expenditures which have been authorised and contracted for have been disclosed in "Capital Commitments" in Note 14 to the unaudited condensed consolidated financial statements. Going forward, further investment in capital expenditures for these two redevelopment properties are planned.

Other than the existing projects and those disclosed in the interim results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Net Current Liabilities

The Group recorded net current liabilities as at 30 June 2023 of HK\$495.9 million (31 December 2022: net current assets of HK\$18.8 million), of which current assets were HK\$1,720.3 million (31 December 2022: HK\$3,078.9 million) and current liabilities were HK\$2,216.2 million (31 December 2022: HK\$3,060.1 million).

The Directors are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due. The Group believes that the net current liabilities position as at 30 June 2023 would not have adverse financial effect to the Group's liquidity or gearing position and the Group has ability to continue as a going concern.

Securities Investments

The Group's strategy is to maintain securities investment portfolio for treasury management and invest in securities investments and treasury products with attractive yield and good prospect in order to bring stable and satisfactory realised return in long run.

Securities Investments and Treasury Products

As at 30 June 2023, the portfolio of securities investments and treasury products of HK\$455.8 million (31 December 2022: HK\$702.3 million) comprised (a) bonds, listed investments held-for-trading, structured products and derivatives (presented as financial assets/liabilities measured at FVTPL (non-current and current assets/liabilities)) in aggregate of HK\$393.5 million (31 December 2022: HK\$592.5 million); and (b) listed equity investment (presented as financial assets measured at FVTOCI) of HK\$62.3 million (31 December 2022: HK\$109.8 million), representing 2.4% (31 December 2022: 3.6%) of total assets.

Unlisted Securities Investments

The Group also invested in the Cayman Islands Partnership (presented as financial assets measured at FVTOCI) and the carrying amount was HK\$290.0 million as at 31 December 2022. During the Period, the Group has contributed US\$1.1 million (equivalent to approximately HK\$9.0 million) which was funded from its distribution and received distributions of US\$0.5 million (equivalent to approximately HK\$4.3 million) (which were included in financial assets measured at FVTOCI), after deducting the fair value loss for the Period of HK\$33.1 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$261.6 million as at 30 June 2023, representing 1.4% (31 December 2022: 1.5%) of total assets.

Risk Management

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

Equity

The number of issued ordinary shares as at 30 June 2023 and 31 December 2022 were 1,907,619,079.

Debt and Gearing

As at 30 June 2023, the Group's total debt amounted to HK\$3,944.7 million (31 December 2022: HK\$4,975.5 million), comprised bank borrowings of HK\$3,848.7 million (31 December 2022: HK\$4,886.9 million) and lease liabilities amounted to HK\$96.0 million (31 December 2022: HK\$88.6 million). Cash and deposits at banks amounted to HK\$936.0 million (31 December 2022: HK\$2,038.8 million), pledged deposits amounted to HK\$151.0 million (31 December 2022: HK\$147.8 million) and net debt (including lease liabilities) amounted to HK\$2,857.7 million (31 December 2022: HK\$2,788.9 million).

Total debt to equity ratio (including lease liabilities) was 27.6% (31 December 2022: 35.5%) and net debt to equity ratio (including lease liabilities) was 20.0% (31 December 2022: 19.9%), which are expressed as a percentage of total debt, and net debt, respectively, over the total equity of HK\$14,292.4 million (31 December 2022: HK\$14,002.8 million).

If the securities investments and treasury products of HK\$455.8 million (31 December 2022: HK\$702.3 million) are included, the net debt to equity ratio would be 16.8% (31 December 2022: 14.9%).

As at 30 June 2023, the Group's bank borrowings of HK\$3,848.7 million, 49.2%, 17.2% and 33.6% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. Of which the Group's bank borrowings were denominated in HK\$ (38.2%), GBP (47.6%) and US\$ (14.2%) before entering the cross currency swap. During the Period, the Group has entered into short term US\$/HK\$ cross currency swap to enhance interest payable on borrowing, and as at 30 June 2023, notional amount of approximately US\$70.0 million was outstanding. As at 30 June 2023, the Group's bank borrowings were carried at interest rates calculated with reference to cost of funds, Hong Kong Interbank Offered Rate or compounded reference rate and all the Group's bank borrowings were on floating rate basis. Except as disclosed, no hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 30 June 2023, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$9,125.7 million (31 December 2022: HK\$8,869.0 million), properties of HK\$40.1 million (31 December 2022: HK\$38.2 million) and bank deposits of HK\$151.0 million (31 December 2022: HK\$147.8 million) were pledged to the banks to secure general banking facilities granted to the Group.
- (b) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment expenses, net. Interest income for the Period increased to HK\$27.2 million (2022: HK\$18.2 million), representing an increase of 49.5% as compared with the same period of last year which was mainly due to increase in interest income from bank deposits as result of the surge in interest rates during the Period.

Finance costs included interest expenses on bank borrowings and lease liabilities; exchange difference on translation of foreign currency borrowings; and arrangement fee and facility and commitment fee expenses. Interest expenses (excluding interest expenses on lease liabilities) for the Period amounted to HK\$106.5 million, representing a substantial increase of 150.6% over the same period of last year of HK\$42.5 million. Interest capitalised for the Period was HK\$4.1 million (2022: HK\$1.2 million). The increase in interest expenses was mainly due to the surge in average interest rate during the Period. The average interest rate over the period under review was 5.47% (2022: 1.68%), which was expressed as a percentage of total interest paid (excluding interest on lease liabilities) over the average total interest-bearing borrowings.

Remuneration Policies

As at 30 June 2023, the Group employed a total of 495 staff (31 December 2022: 498 staff) including about 255 staff (31 December 2022: 260 staff) employed under the estate management company in Hong Kong and 9 staff (31 December 2022: 8 staff) in the United Kingdom.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary 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.

United Kingdom and Mainland China

As at 30 June 2023, the Group's investment properties (excluding properties occupied for own use) in the United Kingdom with carrying amount of GBP743.9 million (equivalent to approximately HK\$7,359.6 million) (31 December 2022: GBP717.2 million (equivalent to approximately HK\$6,746.3 million)) incurred a net profit of HK\$131.5 million (2022: HK\$267.5 million) to the Group for the Period, the profit mainly included in gross profit, other income, fair value changes of investment properties, administrative expenses, finance costs and taxation. Due to appreciation of GBP against HK\$ during the Period, GBP exchange gain of foreign operations included in other comprehensive income for the Period amounted to HK\$260.9 million (2022: exchange loss of HK\$437.6 million). As at 30 June 2023, the Group's net investment in the United Kingdom amounted to HK\$5,608.9 million (31 December 2022: HK\$4,570.9 million) representing 39.2% (31 December 2022: 32.6%) of the Group's total equity.

Loss incurred by the Group's investment in Mainland China (mainly included in administrative expenses and taxation) for the Period amounted to HK\$3.2 million (2022: profit of HK\$14.3 million mainly included in fair value changes on investment properties, share of results of investments accounted for using the equity method and taxation). Due to depreciation of Renminbi ("RMB") against HK\$ during the Period, RMB exchange loss of foreign operations included in other comprehensive income for the Period amounted to HK\$5.1 million (2022: HK\$14.4 million). The Group's net investment in Mainland China as at 30 June 2023 amounted to HK\$192.2 million (31 December 2022: HK\$200.8 million) representing 1.3% (31 December 2022: 1.4%) of the Group's total equity.

Property Valuation

As at 30 June 2023 and 31 December 2022, property valuations in respect of the Group's investment properties in Hong Kong and Mainland China were carried out by B.I. Appraisals, whereas the investment properties in the United Kingdom were carried out by LCH (Asia-Pacific), both are independent qualified professional property valuers. The valuations were based on investment method and/or direct comparison method and/or residual method as the valuation methodologies and were used in preparing 2023 interim results.

The Group's investment properties were valued at HK\$14,024.9 million (31 December 2022: HK\$13,396.7 million (including those presented as assets classified as held for sale)), an increase of 1.4% over 2022 after adjusted for the additions, disposal and exchange adjustments of investment properties during the Period. The increase in fair value of HK\$190.5 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of associates of HK\$11.0 million for the Period.

The increase in fair value of HK\$190.5 million was mainly derived from the increase in fair value of a redevelopment property located in the United Kingdom. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

BUSINESS REVIEW

Hong Kong Property Investment and Development

During the Period, the average occupancy rate of the shops of Causeway Place in Causeway Bay was approximately 88.48%.

As at 30 June 2023, the occupancy rate of the Group's office property, Harcourt House in Wanchai was approximately 74.10%. Together with the retail portion, the average occupancy rate of Harcourt House was approximately 75.65% during the Period.

Nos. 14–18 Ma Kok Street is an industrial site in Tsuen Wan. It will be redeveloped into a 25-storey industrial building (including 2 basement levels for parking and loading/unloading facilities). Its total gross floor area is approximately 228,001 square feet. Construction of the new development is currently underway, with the main contract works (basement and superstructure) commenced in December 2022. The new building is expected to be completed by early 2025 and presale of the industrial units is rescheduled to the fourth quarter of 2023.

Nos. 86 and 88 Apliu Street is a 25-storey residential-cum-commercial building in Sham Shui Po with total gross floor area of approximately 17,714 square feet. As at 30 June 2023, retail portion at ground floor was let while other floors were vacant. Other floors will be let to a non-governmental organisation to operate a youth hostel in the name of Joseph's House under the Subsidy Scheme for Using Hotels and Guesthouses as Youth Hostels approved by the Government. Joseph's House consists a total of 42 rooms with up to 84 hostel places.

No. 1 Hung To Road (33.33% interest), a 33-storey industrial building in Kwun Tong, the occupancy rate was approximately 99.80% as at 30 June 2023.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 97.21% during the Period.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the occupancy rate was approximately 29.85% as at 30 June 2023.

Grand Central (10% interest) is a joint venture development project of the Group in Kwun Tong awarded by the Urban Renewal Authority, with a total gross floor area of around 1,853,561 square feet. It comprises two phases with 4 residential tower blocks and provides 1,999 residential units in aggregate. Up to 30 June 2023, 1,008 units of first phase and 964 units of second phase were sold and completed.

Mainland China Property Investment

Hilton Beijing (50% interest), a five-star international hotel having 506 rooms. The renovation works of 5th to 14th Floors of the hotel main tower are pending. As at 30 June 2023, the occupancy rate was approximately 54.65%.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing. As at 30 June 2023, the occupancy rate was approximately 90.54%.

Overseas Property Investment and Development

“120 Fleet Street” consists of a freehold office building known as River Court and the Grade II* listed Daily Express Building, situated at 116–129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 429,980 square feet, together with certain car parking spaces. As at 30 June 2023, demolition works of River Court are in progress. River Court will be redeveloped into a 21-storey high rise Grade A office led, mixed use building with 2 basement levels, and is expected to comprise approximately 540,800 square feet of office space and approximately 18,600 square feet of retail space and will be renamed as Evergo Tower, while Daily Express Building will be retained and refurbished. The project is expected to be completed in the first half of 2026.

“14 St George Street” is a freehold office building located in London, United Kingdom with total net internal area of around 51,861 square feet. Office accommodation is arranged over lower ground, ground and four upper floors. As at 30 June 2023, it was fully let.

“61–67 Oxford Street and 11–14 Soho Street” is a mixed use freehold building located in London, United Kingdom, comprising approximately 55,151 square feet in aggregate. The building provides retails, office and residential accommodation, occupying approximately 33,843 square feet, 13,694 square feet and 7,614 square feet respectively, over lower ground, ground and six upper floors. During the Period, the average occupancy rate was approximately 88.86%.

“11 and 12 St James's Square and 14 to 17 Ormond Yard” is a mixed use freehold building located in London, United Kingdom. Its total net internal area is around 82,374 square feet. Office accommodation is arranged over lower ground, ground and six upper floors. The occupancy rate was approximately 52.03% during the Period on average. Upgrading works to part of the office spaces are expected to be commenced in August 2023.

Securities Investment

The Group's strategy is to maintain securities investment portfolio for treasury management. As at 30 June 2023, the Group's securities investment portfolio comprised of bonds, listed equity investments and treasury products. The Group's primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders of the Company. The Group's strategy for future investments is to invest in a diversified portfolio to minimise risks with attractive yield, good liquidity and issuers from reputable entities, so as to maintain a healthy financial status and grasp every good investment chance.

The net profit recognised from securities investments and treasury products for the Period was approximately HK\$10.3 million. Details of the performance of securities investments are disclosed in the "Financial Operation Review" of this announcement.

The Group will continue to closely monitor its portfolio of securities investment to achieve satisfactory returns.

OTHER INFORMATION AND EVENT AFTER THE REPORTING PERIOD

Leasing of Windsor House - Connected Transaction and Continuing Connected Transaction

On 13 March 2023, the Group (as tenant) entered into a tenancy agreement in relation to the renewal of the leasing of the whole of 39th floor of Chubb Tower, Windsor House (the "Premises") with a company indirectly owned by Ms. Chan, Hoi-wan (an Executive Director, the Chief Executive Officer of the Company and a trustee of the substantial shareholders of the Company (who are her minor children)) as trustee for her minor children (as landlord) (the "Transaction"), for the purpose of continuing to use the Premises as being part of the headquarter of the Group. The Transaction constituted a connected transaction and a continuing connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as more described in the Company's announcement dated 13 March 2023.

Changes in Directors, Group Financial Controller, Company Secretary, Authorised Representative and Members of Board Committees

On 10 March 2023, the Board appointed Mr. Leung, Yun-fai as an Independent Non-executive Director ("INED"), and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee of the Company respectively with effect from the conclusion of relevant Board meeting held on 10 March 2023.

On 10 May 2023, Mr. Lam, Kwong-wai ("Mr. Lam") resigned from his offices of an Executive Director, the Group Financial Controller and the Company Secretary of the Company with effect from the conclusion of the annual general meeting of the Company held on 25 May 2023 (the "AGM"). Following the resignation of Mr. Lam, he ceased to act as an authorised representative of the Company under Rule 3.05 of the Listing Rules (the "Authorised Representative") as well as a member and the Chief Investment Officer of the Investment Committee. The Board appointed Ms. Chau, Yuen-fun as the Group Financial Controller; Ms. Mak, Kai-ye as the Company Secretary and the Authorised Representative; and Ms. Chan, Lok-wan (an Executive Director) as a member and the Chief Investment Officer of the Investment Committee in succession to Mr. Lam.

The Board currently comprised eight Directors with INEDs representing more than one-third of the Board.

Forfeiture of Unclaimed Dividends

As announced on 21 July 2023, all dividends declared on or before 31 May 2017 remaining unclaimed on 21 August 2023 will be forfeited and will revert to the Company.

PROSPECTS

In partway through Year 2023, the overall global economy is steadily restoring to normalcy. Despite the growth of global optimism, the impacts of such a prolonged period of uncertainties such as geopolitical instability, rising interest rates and stubborn inflation etc. still reverberate across the world economy.

On the local front, the residential property market has continued to weaken amid interest rates hike. Major banks in Hong Kong raised their best lending rates, which increased the mortgage burden for buyers. It is believed that the increasing interest rate will reach its peak soon and hopefully the property market will gradually resume.

Benefiting from the border reopening and the revival of inbound tourism, Hong Kong's economy improved visibly in the first quarter. However, data shows that the momentum has been softened in the second quarter. Despite this, it is expected that private consumption and inbound tourism will remain as the major driving force behind the economic growth over the remainder of 2023. The Group's local retail investment properties continued to lease well during the Period due to its prime location. The Group will closely monitor the changes in consumption patterns, boost customer flow and spending for its retail investment properties by organising various marketing and promotion activities.

On the social community front, to support the Government's vision on addressing the housing needs of young people, the Group joined hands with a non-governmental organisation to turn our building situated at Nos. 86 and 88 Apliu Street, Sham Shui Po into a youth hostel and will operate in the name of Joseph's House. As an awarded Caring Company, the Group will continue to support a broad range of charitable activities and strive to use its best endeavours to promote corporate social responsibility.

In the United Kingdom, the Group is undergoing property redevelopment and asset enhancements for our investment properties located in the heart of London, and thus rental income will be affected. The Group believes that the revamped properties will meet the high demands of top-tier international commercial occupiers. We consider this approach will facilitate long-term development and create long-term business values to our Group.

Looking forward, the Group will stay alert on the rapid changing environment, whilst aligning corporate social responsibility with business operation so as to share our value to the society and stakeholders.

AUDIT COMMITTEE REVIEW

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The Audit Committee of the Company, comprised all the INEDs, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company had applied the principles and complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following deviation(s):-

Chairman / Non-executive Director Attending General Meeting

Mr. Lau, Ming-wai, the Chairman of the Board and a Non-executive Director, was unable to attend the AGM as he had business engagement. Mr. Chan, Kwok-wai, the chairman of the Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of Nomination Committee, Ms. Phillis Loh, Lai-ping had also attended the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (the “Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished inside information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. After specific enquiries by the Company, the Relevant Employees confirmed that they had complied with the required standard set out in the said code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 15 August 2023

As at the date of this announcement, the Board comprised Ms. Chan, Hoi-wan and Ms. Chan, Lok-wan as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Mr. Leung, Yun-fai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <https://www.chineseestates.com>

This results announcement is published on the website of the Company (<https://www.chineseestates.com>) and the HKEXnews website (<https://www.hkexnews.hk>).

Results Highlights will also be posted on the Company’s website on 15 August 2023.