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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 2020

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 2020 (the “Period”) together with the comparative figures for the corresponding period in 2019:-

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	222,679	269,865
Cost of sales		(17,308)	(14,788)
Gross profit		205,371	255,077
Other income	5	275,375	30,080
Investment income, net	6	1,117,751	1,253,385
Administrative expenses		(168,533)	(137,072)
Gain on disposals of equipment, net		482	-
Fair value changes on investment properties		(425,967)	(427,132)
Finance costs	7	(128,267)	(192,625)
Other gains and losses		(1,942)	(694)
Share of results of investments accounted for using the equity method		(19,445)	95,209
Profit before tax		854,825	876,228
Income tax expense	8	(68,844)	(29,870)
Profit for the period	9	785,981	846,358

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*

*For the six months ended 30 June 2020*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive expenses</b>		
<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	<b>(1,364,384)</b>	(1,012,299)
Share of other comprehensive (expenses) income of investments accounted for using the equity method	<b>(73)</b>	4
	<b><u>(1,364,457)</u></b>	<u>(1,012,295)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>(291,431)</b>	(6,260)
Share of other comprehensive expenses of investments accounted for using the equity method	<b>(3,123)</b>	(673)
	<b><u>(294,554)</u></b>	<u>(6,933)</u>
Other comprehensive expenses for the period (net of tax)	<b><u>(1,659,011)</u></b>	<u>(1,019,228)</u>
<b>Total comprehensive expenses for the period</b>	<b><u>(873,030)</u></b>	<u>(172,870)</u>
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>785,931</b>	844,917
Non-controlling interests	<b>50</b>	1,441
	<b><u>785,981</u></b>	<u>846,358</u>
<b>Total comprehensive expenses for the period attributable to:</b>		
Owners of the Company	<b>(873,080)</b>	(174,311)
Non-controlling interests	<b>50</b>	1,441
	<b><u>(873,030)</u></b>	<u>(172,870)</u>
<b>Earnings per share (HK\$)</b>		
Basic and diluted	<b>11</b>	
	<b><u>0.412</u></b>	<u>0.443</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		14,705,611	14,759,507
Property, plant and equipment		91,432	45,524
Right-of-use assets		161,376	136,899
Intangible assets		-	-
Investments accounted for using the equity method		2,205,181	2,433,328
Advances to associates		47,893	48,111
Advance to a joint venture		-	158,818
Financial assets measured at fair value through profit or loss	12	856,290	1,670,271
Financial assets measured at fair value through other comprehensive income	13	18,806,080	20,182,543
Advances to investee companies		100,737	105,902
Deferred tax assets		2,612	1,592
Pledged deposits		106,754	100,002
Prepayments	14	22,129	15,388
		<u>37,106,095</u>	<u>39,657,885</u>
<b>Current assets</b>			
Stock of properties		218,970	224,380
Financial assets measured at fair value through profit or loss	12	1,595,899	7,368,082
Inventories		4,766	2,328
Debtors, deposits, other receivables and prepayments	14	242,544	301,181
Securities trading receivables and deposits		49,032	16,961
Tax recoverable		3,950	1,432
Pledged deposits		212,969	174,221
Time deposits, bank balances and cash		556,683	565,319
		<u>2,884,813</u>	<u>8,653,904</u>
Assets classified as held for sale	15	2,328,152	-
		<u>5,212,965</u>	<u>8,653,904</u>
<b>Current liabilities</b>			
Creditors and accruals	16	168,546	151,010
Securities trading and margin payable		30,420	11,246
Deposits and receipts in advance		165,677	218,235
Lease liabilities		65,020	47,929
Tax liabilities		129,522	117,700
Borrowings		5,183,954	9,240,299
Derivative financial instrument		518	6,060
		<u>5,743,657</u>	<u>9,792,479</u>
<b>Net current liabilities</b>		<u>(530,692)</u>	<u>(1,138,575)</u>
<b>Total assets less current liabilities</b>		<u>36,575,403</u>	<u>38,519,310</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*  
*At 30 June 2020*

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>190,762</b>	190,762
Financial assets measured at fair value through other comprehensive income reserve	<b>4,464,341</b>	5,829,284
Contribution reserve	<b>5,552</b>	-
Statutory reserve	<b>668</b>	668
Special reserve	<b>2,499,685</b>	2,499,685
Capital redemption reserve	<b>138,062</b>	138,062
Translation reserve	<b>(774,451)</b>	(479,897)
Retained profits		
- declared/proposed dividend	<b>19,076</b>	19,076
- others	<b>26,138,626</b>	25,371,285
	<b>32,682,321</b>	33,568,925
<b>Non-controlling interests</b>	<b>21,486</b>	21,436
<b>Total equity</b>	<b>32,703,807</b>	33,590,361
<b>Non-current liabilities</b>		
Borrowings	<b>2,940,410</b>	4,201,960
Amounts due to associates	<b>238,619</b>	212,419
Amounts due to investee companies	<b>537,098</b>	368,563
Amounts due to non-controlling shareholders	<b>275</b>	333
Lease liabilities	<b>90,942</b>	84,125
Deferred tax liabilities	<b>64,252</b>	61,549
	<b>3,871,596</b>	4,928,949
	<b>36,575,403</b>	38,519,310

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*For the six months ended 30 June 2020*

**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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$530,692,000 (31 December 2019: HK\$1,138,575,000). Notwithstanding the above result, 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 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.

As at 30 June 2020, the Group had unutilised bank facilities. 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 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 2020. Based on the cash flow projections, 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 2020. The management has made key assumptions on 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.

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

**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 2019 except as described below.

In the current period, the Group has applied, for the first time, the following amendments to existing Hong Kong Financial Reporting Standards (“HKFRSs”) (“Amendments”) and revised Conceptual Framework issued by the HKICPA, which are effective for the current accounting period of the Group. The Amendments and the revised Conceptual Framework adopted by the Group in these unaudited condensed consolidated financial statements are set out below:

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions <sup>1</sup>
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

<sup>1</sup> *Effective for annual periods beginning on or after 1 June 2020 and early application is permitted*

## 2. Principal Accounting Policies (continued)

The application of the Amendments and the revised Conceptual Framework had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use <sup>1</sup>
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> 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 new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a significant impact on how the Group’s results of operations and financial position are prepared and presented. The new and amended HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. Revenue

Revenue represents the aggregate amounts of commission from brokerage, settlement charges from brokerage, cosmetic goods sold less returns, amounts received and receivable from property rental income and gain/loss on sales of investments held-for-trading, are analysed as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Brokerage and cosmetic income	8,213	8,103
Revenue from other sources:		
Property rental income	211,450	261,762
Gain on sales of investments held-for-trading	3,016	-
	<b>214,466</b>	261,762
	<b>222,679</b>	269,865

#### 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 fair value through other comprehensive income (“FVTOCI”); (v) investments and treasury products at fair value through profit or loss (“FVTPL”); and (vi) unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation 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

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 their, if applicable, respective deferred tax.

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

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, deferred tax liabilities and derivative financial instrument.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2019.

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 one (2019: one) major customer who individually accounted for 10% or more of the Group’s revenue. Revenue of approximately HK\$40,420,000 (2019: HK\$88,166,000) was derived from a customer in non-retail property leasing segment in the United Kingdom.

#### 4. Operating Segments (continued)

Operating segment information is presented below:

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	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					
<b>Major cash items excluding in revenue</b>								
- Hong Kong	-	-	-	2,772	4,099,217	-	-	4,101,989
<b>Revenue</b>								
Revenue from external customers								
- Hong Kong	-	19,028	72,269	-	3,016	2,898	5,315	102,526
- United Kingdom	-	16,935	102,861	-	-	-	-	119,796
- Mainland China	-	-	357	-	-	-	-	357
	-	35,963	175,487	-	3,016	2,898	5,315	222,679
Revenue from external customers								
Attributable property sales from associate/investee company	-	35,963	175,487	-	3,016	2,898	5,315	222,679
- Hong Kong	11,935	-	-	-	-	-	-	11,935
Attributable rental revenue from associates/investee company								
- Hong Kong	-	10,084	22,252	-	-	-	-	32,336
- Mainland China	-	5,687	3,981	-	-	-	-	9,668
	11,935	51,734	201,720	-	3,016	2,898	5,315	276,618
<b>Result</b>								
Segment result								
- Hong Kong	-	16,978	66,561	1,357,068	(261,051)	6,063	7,251	1,192,870
- United Kingdom	-	15,420	100,279	-	-	132	-	115,831
- Mainland China	-	-	244	-	-	897	-	1,141
- Other countries	-	-	-	-	13,409	-	-	13,409
	-	32,398	167,084	1,357,068	(247,642)	7,092	7,251	1,323,251
Share of results of investments accounted for using the equity method								
- Attributable property sales, net								
- Hong Kong	252	-	-	-	-	-	-	252
- Attributable gross income								
- Hong Kong	-	9,410	22,117	-	-	-	1,125	32,652
- Mainland China	-	5,687	3,981	-	-	-	-	9,668
- Attributable operating cost								
- Hong Kong	-	(65)	(3,889)	-	-	-	-	(3,954)
- Mainland China	-	(4,924)	(1,528)	-	-	-	-	(6,452)
	252	42,506	187,765	1,357,068	(247,642)	7,092	8,376	1,355,417
Other income	-	-	249,836	-	-	-	-	249,836
Finance costs	-	-	-	(24,343)	(22,421)	-	-	(46,764)
Other gains and losses	(1,941)	-	-	-	-	-	-	(1,941)
Share of results of investments accounted for using the equity method								
- Income tax and others	(13)	(12,729)	(8,553)	-	-	-	(212)	(21,507)
	(1,702)	29,777	429,048	1,332,725	(270,063)	7,092	8,164	1,535,041
Unallocated items								
Unallocated corporate expenses, net								(142,642)
Unallocated finance costs								(81,503)
Income tax expense								(63,728)
Non-controlling interests								(50)
<b>Operating profit for the period attributable to owners of the Company</b>								
								1,247,118
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								(456,071)
- Deferred tax expense								(5,116)
<b>Profit for the period attributable to owners of the Company</b>								
								785,931
<b>Core profit for the period attributable to owners of the Company</b>								
								1,247,118



**4. Operating Segments (continued)**  
**Condensed Consolidated Statement of Financial Position**  
**At 30 June 2020**

	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					
<b>Assets</b>								
Segment assets								
- Hong Kong	989,546	1,822,113	5,913,163	17,200,012	1,651,505	406,464	181,437	28,164,240
- United Kingdom	-	1,152,520	6,578,246	-	-	-	-	7,730,766
- Mainland China	249,035	-	26,226	-	-	590	-	275,851
- Other countries	-	-	-	-	824,803	547,744	-	1,372,547
Investments accounted for using the equity method								
- Hong Kong	39,070	429,953	1,574,562	-	-	1,908	7,906	2,053,399
- Mainland China	-	117,955	33,827	-	-	-	-	151,782
Advances to associates								
- Hong Kong	94	-	82	-	-	2	1,191	1,369
- Mainland China	-	36,161	10,363	-	-	-	-	46,524
Assets classified as held for sale	-	-	-	-	2,328,152	-	-	2,328,152
Reportable segment assets	<b>1,277,745</b>	<b>3,558,702</b>	<b>14,136,469</b>	<b>17,200,012</b>	<b>4,804,460</b>	<b>956,708</b>	<b>190,534</b>	<b>42,124,630</b>
Unallocated corporate assets								194,430
Consolidated total assets								<b>42,319,060</b>
<b>Liabilities</b>								
Segment liabilities								
- Hong Kong	66,629	19,152	88,770	1,230,527	484,615	32,868	7,870	1,930,431
- United Kingdom	-	12,902	135,682	-	-	-	-	148,584
- Mainland China	-	-	177	-	-	2	-	179
- Other countries	-	-	-	-	439,267	-	-	439,267
Reportable segment liabilities	<b>66,629</b>	<b>32,054</b>	<b>224,629</b>	<b>1,230,527</b>	<b>923,882</b>	<b>32,870</b>	<b>7,870</b>	<b>2,518,461</b>
Unallocated corporate liabilities								7,096,792
Consolidated total liabilities								<b>9,615,253</b>
<b>Additions to non-current assets (other than financial instruments and deferred tax assets)</b>								
	-	-	962,120*	-	-	21	6	

\* included the acquisition of investment properties of Landrich (H.K.) Limited ("Landrich") through acquisition of a subsidiary (Note 17)

**Other Material Items**  
**For the six months ended 30 June 2020**

	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	359,539	-	-	359,539
Finance costs	(46,764)	(81,503)	-	(128,267)
Net income	312,775	(81,503)	-	231,272
Depreciation of:				
- Property, plant and equipment	-	(9,903)	-	(9,903)
- Right-of-use assets	-	(27,403)	-	(27,403)
Fair value changes on investment properties	-	-	(425,967)	(425,967)
Write-down of stock of properties	(1,941)	-	-	(1,941)
Share of results of investments accounted for using the equity method	10,659	-	(30,104)	(19,445)
Income tax expense	-	(63,728)	(5,116)	(68,844)
Non-controlling interests	-	(50)	-	(50)

#### 4. Operating Segments (continued)

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	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					
<b>Major cash items excluding in revenue</b>								
- Hong Kong	-	-	-	-	1,394,901	-	-	1,394,901
- Other countries	-	-	-	-	138,403	-	-	138,403
	-	-	-	-	1,533,304	-	-	1,533,304
<b>Revenue</b>								
Revenue from external customers								
- Hong Kong	-	20,849	68,033	-	-	3,060	5,043	96,985
- United Kingdom	-	17,432	155,134	-	-	-	-	172,566
- Mainland China	-	-	314	-	-	-	-	314
	-	38,281	223,481	-	-	3,060	5,043	269,865
Revenue from external customers								
	-	38,281	223,481	-	-	3,060	5,043	269,865
Attributable rental revenue from associates/joint venture/investee company								
- Hong Kong	-	10,136	23,628	-	-	-	-	33,764
- Mainland China	-	26,109	3,919	-	-	-	-	30,028
	-	74,526	251,028	-	-	3,060	5,043	333,657
<b>Result</b>								
Segment result								
- Hong Kong	-	18,793	64,188	-	754,034	(1,598)	7,237	842,654
- United Kingdom	-	16,897	152,229	-	-	48	-	169,174
- Mainland China	-	-	144	-	-	1,567	-	1,711
- Other countries	-	-	-	-	503,303	-	-	503,303
	-	35,690	216,561	-	1,257,337	17	7,237	1,516,842
Share of results of investments accounted for using the equity method								
Attributable gross income								
- Hong Kong	-	9,658	23,483	-	-	-	1,103	34,244
- Mainland China	-	26,109	3,919	-	-	-	-	30,028
Attributable operating cost								
- Hong Kong	-	(399)	(3,591)	-	-	-	-	(3,990)
- Mainland China	-	(11,820)	(1,482)	-	-	-	-	(13,302)
	-	59,238	238,890	-	1,257,337	17	8,340	1,563,822
Other income	6,462	-	-	-	-	-	-	6,462
Finance costs	-	-	-	(62,713)	(49,318)	-	-	(112,031)
Other gains and losses	(694)	-	-	-	-	-	-	(694)
Share of results of investments accounted for using the equity method								
- Income tax and others	682	(18,955)	(3,664)	-	-	-	(162)	(22,099)
	6,450	40,283	235,226	(62,713)	1,208,019	17	8,178	1,435,460
Unallocated items								
Unallocated corporate expenses, net								(121,834)
Unallocated finance costs								(80,594)
Income tax expense								(28,088)
Non-controlling interests								(1,441)
<b>Operating profit for the period attributable to owners of the Company</b>								
1,203,503								
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								(356,804)
- Deferred tax expense								(1,782)
<b>Profit for the period attributable to owners of the Company</b>								
844,917								
<b>Core profit for the period attributable to owners of the Company</b>								
1,203,503								

**4. Operating Segments (continued)**  
**Condensed Consolidated Statement of Financial Position**  
*At 31 December 2019*

	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					
<b>Assets</b>								
Segment assets								
- Hong Kong	974,604	1,909,092	5,194,356	18,578,662	7,481,050	388,525	192,445	34,718,734
- United Kingdom	-	1,389,050	6,940,511	-	-	-	-	8,329,561
- Mainland China	256,026	-	29,007	-	-	4,350	-	289,383
- Other countries	-	-	-	-	1,607,908	558,780	-	2,166,688
Investments accounted for using the equity method								
- Hong Kong	37,704	435,133	1,776,644	-	-	1,990	6,228	2,257,699
- Mainland China	-	133,409	42,220	-	-	-	-	175,629
Advances to associates and a joint venture								
- Hong Kong	123	-	158,933	-	-	2	1,136	160,194
- Mainland China	-	35,503	11,232	-	-	-	-	46,735
Reportable segment assets	<u>1,268,457</u>	<u>3,902,187</u>	<u>14,152,903</u>	<u>18,578,662</u>	<u>9,088,958</u>	<u>953,647</u>	<u>199,809</u>	<u>48,144,623</u>
Unallocated corporate assets								<u>167,166</u>
Consolidated total assets								<u>48,311,789</u>
<b>Liabilities</b>								
Segment liabilities								
- Hong Kong	66,619	20,960	75,047	2,904,077	3,697,718	13,948	6,844	6,785,213
- United Kingdom	-	14,980	177,445	-	-	-	-	192,425
- Mainland China	23	-	197	-	-	2	-	222
- Other countries	-	-	-	-	530,990	6	-	530,996
Reportable segment liabilities	<u>66,642</u>	<u>35,940</u>	<u>252,689</u>	<u>2,904,077</u>	<u>4,228,708</u>	<u>13,956</u>	<u>6,844</u>	<u>7,508,856</u>
Unallocated corporate liabilities								<u>7,212,572</u>
Consolidated total liabilities								<u>14,721,428</u>
<b>Additions to non-current assets (other than financial instruments and deferred tax assets)</b>								
	-	-	17,813	-	-	64	57	

**Other Material Items**

*For the six months ended 30 June 2019*

	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	355,641	-	-	355,641
Finance costs	(112,031)	(80,594)	-	(192,625)
Net income	243,610	(80,594)	-	163,016
Depreciation of:				
- Property, plant and equipment	-	(2,514)	-	(2,514)
- Right-of-use assets	-	(5,708)	-	(5,708)
Fair value changes on investment properties	-	-	(427,132)	(427,132)
Write-down of stock of properties	(694)	-	-	(694)
Share of results of investments accounted for using the equity method	24,881	-	70,328	95,209
Income tax expense	-	(28,088)	(1,782)	(29,870)
Non-controlling interests	-	(1,441)	-	(1,441)

## 5. Other Income

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Included in other income are:		
Building management fee income	<b>14,062</b>	14,056
Building management fee expenses	<b>(8,391)</b>	(7,974)
	<b>5,671</b>	6,082
Rental services income	<b>1,949</b>	2,561
Property management services, leasing administration services and property administration services income	<b>15,704</b>	14,250
Advisory and consultancy services income	<b>20</b>	18
Surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom	<b>249,836</b>	-
Overprovision of costs in respect of a development project, net	<b>-</b>	6,462
	<b>5,671</b>	6,082

## 6. Investment Income, Net

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Financial assets measured at fair value through profit or loss:		
Unrealised (loss) gain arising from change in fair value of bonds	<b>(244,861)</b>	810,665
Realised (loss) gain arising from change in fair value of bonds		
- Change in fair value	<b>(342,782)</b>	74,038
- Exchange component of change	<b>(17,619)</b>	3,074
(Loss) gain arising from change in fair value of bonds	<b>(605,262)</b>	887,777
Unrealised gain arising from change in fair value of structured products	<b>21</b>	-
Realised loss arising from change in fair value of structured products	<b>(1,220)</b>	-
Net loss arising from change in fair value of structured products	<b>(1,199)</b>	-
Unrealised gain arising from change in fair value of investments held-for-trading	<b>278</b>	-
Unrealised loss arising from change in fair value of club and corporate debentures	<b>(1,290)</b>	(6,160)
Realised loss arising from change in fair value of club debentures	<b>(223)</b>	(171)
Loss arising from change in fair value of club and corporate debentures	<b>(1,513)</b>	(6,331)
Unrealised loss arising from change in fair value of cross currency swap	<b>(518)</b>	(377)
Realised gain (loss) arising from change in fair value of cross currency swap	<b>6,060</b>	(1,921)
Net gain (loss) arising from change in fair value of cross currency swaps	<b>5,542</b>	(2,298)
Other investment income	<b>317</b>	18,845
Dividend income on:		
Listed investments	<b>1,357,366</b>	-
Unlisted investment	<b>2,914</b>	-
Interest income	<b>359,308</b>	355,392
	<b>1,117,751</b>	1,253,385

Interest income mainly included interest income from bonds and structured products of approximately HK\$354,910,000 (2019: interest income from bonds of HK\$350,715,000).

## 7. Finance Costs

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	71,625	78,180
Other borrowings	62,024	114,958
Lease liabilities	1,522	304
Total interest	<u>135,171</u>	<u>193,442</u>
Exchange gain on translation of foreign currency bank and other borrowings and loan, net	(8,659)	(4,446)
Other finance costs	<u>3,199</u>	<u>3,629</u>
	<u>129,711</u>	<u>192,625</u>
Less: Interest capitalised to investment property under development	(1,444)	-
	<u><b>128,267</b></u>	<u><b>192,625</b></u>

During the Period, the Group has capitalised borrowing costs at a rate of 2.39% (2019: nil) per annum amounted to approximately HK\$1,444,000 (2019: nil) on qualifying asset.

## 8. Income Tax Expense

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	3,074	5,357
Other than Hong Kong	61,805	21,155
	<u>64,879</u>	<u>26,512</u>
Underprovision in prior years:		
Hong Kong Profits Tax	(140)	(30)
Other than Hong Kong	141	201
	<u>1</u>	<u>171</u>
Deferred tax:		
Current period charge	3,964	3,187
	<u><b>68,844</b></u>	<u><b>29,870</b></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 will continue to be taxed at a flat rate of 16.5%. The People's Republic of China ("PRC") Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2019: 25%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. During the Period, the Group is subject to tax rate in the United Kingdom that has been changed from 20% to 19% as the Group is subject to corporation tax instead of non-resident landlord income tax effective from 6 April 2020.

## 9. Profit for the Period

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	<b>(78,898)</b>	(74,948)
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$28,000 (2019: HK\$171,000)	<b>(4,411)</b>	(4,099)
	<b>(83,309)</b>	(79,047)
Auditors' remuneration:		
Auditors of the Company		
- Current period	<b>(1,028)</b>	(1,007)
Other auditors		
- Current period	<b>(114)</b>	(131)
- Underprovision in prior years	<b>(10)</b>	(5)
Depreciation of:		
- Property, plant and equipment	<b>(9,903)</b>	(2,514)
- Right-of-use assets	<b>(27,403)</b>	(5,708)
	<b>(37,306)</b>	(8,222)
Exchange loss, net	<b>(1,107)</b>	(718)
Rental expenses from short-term leases	<b>(14,257)</b>	(19,195)
Cost of cosmetic products recognised	<b>(2,471)</b>	(2,022)
Share of tax of associates	<b>(3,847)</b>	(4,101)
Share of tax of a joint venture	<b>313</b>	(237)
Share of tax of investments accounted for using the equity method (included in share of results of investments accounted for using the equity method)	<b>(3,534)</b>	(4,338)
Gross proceeds on sales of investments held-for-trading	<b>49,354</b>	-
Carrying amount of investments held-for-trading disposed of	<b>(46,250)</b>	-
Transaction costs on sales of investments held-for-trading	<b>(88)</b>	-
Gain on sales of investments held-for-trading included in revenue	<b>3,016</b>	-
Gross rental income from investment properties	<b>211,450</b>	261,762
Less: Direct operating expenses from investment properties that generated rental income during the period	<b>(8,270)</b>	(8,006)
Direct operating expenses from investment properties that did not generate rental income during the period	<b>(3,698)</b>	(1,505)
	<b>199,482</b>	252,251
Reversal of impairment loss recognised in respect of trade receivable	<b>17</b>	30
Impairment loss recognised in respect of other receivables	<b>-</b>	(18)

## 10. Dividends

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend for 2019 paid on 11 June 2020 of HK1 cent (2018: HK10 cents) per share	<b>19,076</b>	190,762

Interim dividend for 2020 of HK1 cent (2019: HK1 cent) per share has been declared by the Board 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:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	<b>785,931</b>	844,917
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>1,907,619,079</b>	1,907,619,079

Diluted earnings per share for the six months ended 30 June 2020 and 2019 were the same as the basic earnings per share as there were no diluting events during both periods.

## 12. Financial Assets Measured at Fair Value Through Profit or Loss

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bonds	<b>2,325,605</b>	8,975,533
Structured products	<b>52,304</b>	-
Investments held-for-trading	<b>16,150</b>	-
Club and corporate debentures	<b>58,130</b>	62,820
	<b>2,452,189</b>	9,038,353
Analysed for reporting purpose as:		
Non-current	<b>856,290</b>	1,670,271
Current	<b>1,595,899</b>	7,368,082
	<b>2,452,189</b>	9,038,353

Major terms of the bonds denominated in United States dollar ("US\$"), Pound Sterling ("GBP") and Euro ("EUR") are as follows:

<b>Notional amount</b>	<b>Maturity</b>
US\$102,350,000	2020
US\$10,000,000	2021
US\$52,000,000	2022
US\$35,200,000	2023
US\$76,000,000	2024
US\$3,600,000	Perpetual
GBP23,500,000	Perpetual
EUR2,000,000	Perpetual

### 13. Financial Assets Measured at Fair Value Through Other Comprehensive Income

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Listed investments:		
- Equity securities listed in Hong Kong ( <i>note (i)</i> )	17,200,000	18,578,652
Unlisted equity securities:		
- Incorporated in Hong Kong ( <i>note (ii)</i> )	1,058,842	1,045,621
- Incorporated elsewhere ( <i>note (iii)</i> )	547,238	558,270
	<b>18,806,080</b>	<b>20,182,543</b>

*Notes:*

- (i) As at 30 June 2020, the Group held certain shares of China Evergrande Group (stock code: 3333) ("China Evergrande") ("Evergrande Shares"). The unrealised loss on fair value change of the Evergrande Shares of HK\$1,376,000,000 (during the year ended 31 December 2019: HK\$1,591,000,000), which was determined based on quoted market bid price in active market, was recorded in financial assets measured at FVTOCI reserve during the Period. The carrying amount of the Evergrande Shares held by the Group as at 30 June 2020 was HK\$17,200,000,000 (31 December 2019: HK\$18,576,000,000).
- (ii) As at 30 June 2020, the carrying amount mainly comprised investment in a property development project in Hong Kong (10% interest) of HK\$899,485,000 (31 December 2019: HK\$882,763,000).
- (iii) As at 30 June 2020, the carrying amount mainly comprised investment in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands ("Cayman Islands Partnership") of approximately HK\$459,280,000 (31 December 2019: HK\$467,915,000).

### 14. Debtors, Deposits, Other Receivables and Prepayments

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables (net of allowance for doubtful debts)	19,289	12,131
Deposits and prepayments	75,027	66,406
Other receivables	170,357	238,032
	<b>264,673</b>	<b>316,569</b>
Analysed for reporting purpose as:		
Non-current	22,129	15,388
Current	242,544	301,181
	<b>264,673</b>	<b>316,569</b>

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$19,289,000 (31 December 2019: HK\$12,131,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Property leasing	14,974	9,215
Cosmetic business	4,315	2,916
	<b>19,289</b>	<b>12,131</b>

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 - 30 days	15,350	7,528
31 - 60 days	451	1,583
61 - 90 days	1,178	544
Over 90 days	2,310	2,476
	<b>19,289</b>	<b>12,131</b>



## 15. Assets Classified as Held For Sale

	<b>30 June 2020 HK\$'000</b>	31 December 2019 HK\$'000
Financial assets measured at fair value through profit or loss		
Bonds	<b><u>2,328,152</u></b>	<b><u>-</u></b>

During the Period, three indirect wholly-owned subsidiaries of the Company, as the sellers, and Ms. Chan, Hoi-wan, an executive Director and a trustee of substantial shareholders of the Company, as the purchaser (“Purchaser”), entered into a disposal agreement in relation to the sale and purchase of certain debt securities (“Disposal”).

Pursuant to the disposal agreement, the Disposal may be completed in tranches and the completion of the last tranche of the Disposal shall take place not later than 31 December 2020. As a result of the Disposal, debt securities contracted for sale to the Purchaser under the disposal agreement with carrying amount of approximately HK\$2,328,152,000 remained unsold have been presented as assets classified as held for sale in this unaudited condensed consolidated statement of financial position as at 30 June 2020.

Details of the Disposal were set out in the announcements of the Company dated 29 January 2020 and 23 March 2020 and the circular of the Company dated 28 February 2020.

## 16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$2,980,000 (31 December 2019: HK\$1,079,000).

The following is the aged analysis of trade payables at the end of the reporting period:

	<b>30 June 2020 HK\$'000</b>	31 December 2019 HK\$'000
0 - 90 days	<b>2,126</b>	313
Over 90 days	<b>854</b>	766
	<b><u>2,980</u></b>	<b><u>1,079</u></b>

## 17. Acquisition of Assets Through Acquisition of a Subsidiary

On 10 January 2020, an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with another shareholder of Landrich, as the seller, in relation to acquisition of the remaining 49% of the entire issued share capital of Landrich (a joint venture at the time of entering into the sale and purchase agreement, holding a property located at Nos.14-18 Ma Kok Street in Tsuen Wan, New Territories, Hong Kong) and the sale loan (“Acquisition”). The Group owned 51% interest in Landrich prior to the Acquisition and Landrich has become a wholly-owned subsidiary of the Company following the completion of the Acquisition. The Group acquired a property and its related assets and liabilities by way of acquisition of the remaining 49% of the entire issued share capital of Landrich. The Acquisition was completed on 28 February 2020 at a total cash consideration of approximately HK\$355,839,000. Details of the Acquisition were set out in the announcement of the Company dated 10 January 2020.

Under HKFRSs, the Acquisition was accounted for as an acquisition of assets and liabilities as Landrich being acquired by the Group does not constitute an acquisition of business. The Group identified and recognised the individual identifiable assets acquired and liabilities assumed. The cost of the Acquisition was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values as at the date of acquisition. Such a transaction does not give rise to goodwill.

## 17. Acquisition of Assets Through Acquisition of a Subsidiary (continued)

	2020 HK\$'000
The net assets of Landrich as at the date of acquisition were as follows:	
Investment properties	900,562
Deposits, other receivables and prepayments	2,018
Time deposit and bank balance	3,677
Creditors and accruals	(4,571)
Tax liabilities	(1,227)
Shareholders' loans	(317,467)
Borrowing	(180,000)
Net assets acquired	402,992
Assignment of a shareholder's loan	158,649
	<u>561,641</u>
Satisfied by:	
Cash consideration	355,839
Expenses incurred for acquisition	276
Fair value of the existing shareholding	205,526
	<u>561,641</u>
Net cash outflow arising from acquisition:	
Cash consideration paid	355,839
Expenses incurred for acquisition	276
Time deposit and bank balance acquired	(3,677)
	<u>352,438</u>

During the six months ended 30 June 2019, there was no acquisition of assets through acquisition of a subsidiary.

## 18. Capital Commitments

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Authorised and contracted for:		
Capital investment in limited partnership ( <i>note</i> )	69,330	77,912
Redevelopment expenditure of properties	20,575	-
Purchases of equipment and leasehold improvement	12,738	54,033
Refurbishment of properties	2,117	-
	<u>104,760</u>	<u>131,945</u>

*Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to HK\$775,060,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$91,055,000 (equivalent to approximately HK\$706,224,000) (31 December 2019: US\$89,993,000 (equivalent to approximately HK\$697,973,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$8,945,000 (equivalent to approximately HK\$69,330,000, after exchange adjustment) (31 December 2019: US\$10,007,000 (equivalent to approximately HK\$77,912,000, after exchange adjustment)).*

As at 31 December 2019, other than the capital commitments as disclosed above, an interest-free funding undertaking in proportion of 51% had been provided by the Group to Landrich, in the event that the funds raised from banks or financial institutions by Landrich were not sufficient for satisfying any working capital requirements at any time. As at 31 December 2019, Landrich was in net asset position and the Directors considered that Landrich had sufficient working capital and therefore no funding to Landrich was required as of that date. During the Period, the Group acquired the remaining 49% interest in Landrich and Landrich has become a wholly-owned subsidiary of the Company.

## 19. Contingent Liabilities

	<b>30 June 2020 HK\$'000</b>	31 December 2019 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	<b>15,000</b>	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	<b>613,830</b>	613,830
Guarantee given to a bank in respect of a banking facility utilised by a joint venture	-	90,000
	<b><u>628,830</u></b>	<b><u>718,830</u></b>

No provision for financial guarantee contracts and/or deed of indemnity have been made as at 30 June 2020 and 31 December 2019 as the Directors considered the default risk is low.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK1 cent per share (2019: HK1 cent per share) for the Period (the “Interim Dividend”).

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 to declare the Interim Dividend of HK1 cent per share (2019: HK1 cent per share).

Dividend warrants for the Interim Dividend will be posted on or about 7 September 2020 to shareholders whose names appear on the register of members of the Company on 27 August 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed on 27 August 2020. In order to qualify for the Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 August 2020.

## **FINANCIAL OPERATION REVIEW**

### **Results**

#### Revenue

Revenue for the Period amounted to HK\$222.7 million (2019: HK\$269.9 million), a decrease of 17.5% over the same period of last year and comprised gross rental income of HK\$211.5 million (2019: HK\$261.8 million), gain on sales of investments held-for-trading on a net basis of HK\$3.0 million (2019: nil) and others of HK\$8.2 million (2019: HK\$8.1 million). The decline in revenue was mainly due to the decrease in gross rental income for the Period.

#### Gross Profit

Gross profit for the Period amounted to HK\$205.4 million (2019: HK\$255.1 million), a decrease of 19.5% as compared with the same period of last year which also mainly due to the decrease in net rental income for the Period.

#### Property Leasing

For property leasing, the rental revenue in non-retail and retail section decreased by 21.5% to HK\$175.5 million and 6.0% to HK\$36.0 million respectively during the Period. The total rental income in revenue for the Period recorded a decrease of 19.2% to HK\$211.5 million as compared with the same period of last year of HK\$261.8 million. The decrease in rental income was mainly due to an anchor tenant of an investment property in the United Kingdom surrendered the lease during the Period.

Together with the attributable rental revenue generated from associates and an investee company of HK\$42.0 million (2019: from associates, a joint venture and an investee company of HK\$63.8 million), the total attributable rental revenue to the Group amounted to HK\$253.5 million (2019: HK\$325.6 million), which represents a decrease of 22.1% over the same period of last year.

Attributable net rental income for the Period showed HK\$230.3 million, a decrease of 22.7% over HK\$298.1 million in the same period of last year.

#### Property Development and Trading

During the Period, the Group did not dispose of any trading property (2019: no disposal).

## Securities Investments

The Group has in the ordinary and usual course of business conducted its securities investment activities, as at 30 June 2020, mainly comprised of bonds and listed equity investments. During the Period, the gain (excluding gain/loss recognised in financial assets measured at FVTOCI reserve) recognised from securities investments and treasury products was HK\$1,062.7 million (2019: HK\$1,145.3 million), comprised gain on listed equity investments at FVTOCI of HK\$1,332.7 million (2019: loss of HK\$62.7 million) and loss on investments and treasury products at FVTPL of HK\$270.0 million (2019: gain of HK\$1,208.0 million).

During the Period, the Group disposed of listed investments held-for-trading and recognised a realised gain of HK\$3.0 million (the gains/losses of which was included in revenue) with gross proceeds of HK\$49.4 million (2019: no disposal). The realised loss from sales of bonds of HK\$360.4 million (2019: realised gain of HK\$77.1 million) was recognised in profit or loss during the Period, mainly comprising the realised loss on bonds in the industry of PRC-based real estate of HK\$59.2 million (2019: realised gain of HK\$72.3 million) and the realised loss on bonds in the industry of overseas financial institutions of HK\$256.6 million (2019: no disposal). During the Period, the Group had acquired 5 bonds (2019: 11 bonds) in the sum of HK\$310.6 million (2019: HK\$2,386.4 million), and disposed of/redeemed 18 bonds (2019: 12 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$4,027.1 million (2019: HK\$1,533.3 million). Bonds acquired were mainly in the industry of PRC-based real estate of 91.2% (2019: 96.6%) and overseas financial institutions of 5.5% (2019: 3.4%). In addition, realised loss on the structured products of HK\$1.2 million (2019: nil) was recorded during the Period.

During the Period, the Group disposed of certain bonds under the disposal agreement entered into with Ms. Chan, Hoi-wan, an executive Director and a trustee of substantial shareholders of the Company, on 29 January 2020. Pursuant to the terms under the disposal agreement, consideration shall be determined based on the higher of (i) 100% of principal amount and (ii) prevailing market bid price for the bonds to be disposed of. The excess amount paid by Ms. Chan, Hoi-wan, at the consideration of 100% of principal amount over the prevailing market bid price of the bonds disposed of was directly recognised in the reserve as it is deemed as the contribution from the Company's major shareholder. During the Period, the Group recognised gain of HK\$5.6 million in the contribution reserve.

Furthermore, the Group recorded an unrealised loss of HK\$244.5 million (2019: unrealised gain of HK\$810.7 million) mainly representing the changes in fair value of bonds, which had no effect on the cash flow of the Group. The unrealised loss of HK\$244.8 million (2019: unrealised gain of HK\$810.7 million) from changes in fair value of bonds represented 24 bonds (2019: 29 bonds), mainly comprising the unrealised loss from the industry of overseas financial institutions of HK\$60.6 million or decrease in fair value of 8.7% over the Period; and the unrealised loss from the industry of PRC-based real estate of HK\$184.2 million or decrease in fair value of 4.4% over the Period (2019: unrealised gain from the industry of overseas financial institutions of HK\$308.7 million or increase in fair value of 8.4% over the period; and the unrealised gain from the industry of PRC-based real estate of HK\$467.3 million or increase in fair value of 12.7% over the period). The Group believes that the decrease in price of bonds in the Period, among others, was owing to concerns about the economic impact of COVID-19 pandemic and the ongoing tensions in the US-China relationship exacerbated, the global economy has been greatly affected.

During the Period, interest income from bonds amounted to HK\$348.6 million (2019: HK\$350.7 million), represented 5.0% (2019: 4.2%) (before effect on leverage) return on average market value of bondholding during the Period. The interest income from the structured products amounted to HK\$6.3 million (2019: nil).

Summing up the realised and unrealised gain/loss and adding the net income from net dividend income, interest income, other net investment income and net finance costs of HK\$1,665.8 million (2019: interest income, other investment income and net finance costs of HK\$257.5 million), the gain recognised from securities investments and treasury products was HK\$1,062.7 million (2019: HK\$1,145.3 million).

The respective income/expense from securities investments under different categories are further elaborated below:

### *Investments and Treasury Products at Fair Value Through Profit or Loss*

The investments and treasury products at FVTPL recorded a loss before and after net finance costs of HK\$247.6 million and HK\$270.0 million (2019: profit before and after net finance costs of HK\$1,257.3 million and HK\$1,208.0 million) respectively for the Period.

Loss from the investments and treasury products at FVTPL reflected in the unaudited condensed consolidated statement of comprehensive income for the Period comprised: (a) a realised gain of HK\$3.0 million on listed investments held-for-trading (2019: nil), a realised loss on fair value changes of bonds of HK\$360.4 million (2019: realised gain of HK\$77.1 million) and realised loss on structured products of HK\$1.2 million (2019: nil); (b) an unrealised loss on fair value changes of bonds of HK\$244.8 million (2019: unrealised gain of HK\$810.7 million) and unrealised gain on listed investments held-for-trading of HK\$0.3 million (2019: nil); and (c) interest income of bonds and structured products of HK\$354.9 million (2019: bonds of HK\$350.7 million) and other net investment income of HK\$0.6 million (2019: HK\$18.8 million). Net relevant finance costs for the Period was HK\$22.4 million (2019: HK\$49.3 million) including interest expense of HK\$34.2 million (2019: HK\$52.0 million) and exchange gain of HK\$11.8 million (2019: HK\$2.7 million).

The table below summarises the performance of bonds, structured products and listed investments held-for-trading during the Period:

	Realised (loss) gain		Unrealised (loss) gain		Interest income		Total (loss) profit	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Bond issuers by industry</b>								
Overseas financial institutions	(256.6)	-	(60.6)	308.7	97.8	143.0	(219.4)	451.7
PRC-based real estate	(59.2)	72.3	(184.2)	467.3	245.0	196.4	1.6	736.0
Others	(44.6)	4.8	-	34.7	5.8	11.3	(38.8)	50.8
	(360.4)	77.1	(244.8)	810.7	348.6	350.7	(256.6)	1,238.5
<b>Structured products</b>	(1.2)	-	-	-	6.3	-	5.1	-
<b>Listed investments held-for-trading</b>	3.0	-	0.3	-	-	-	3.3	-
	(358.6)	77.1	(244.5)	810.7	354.9	350.7	(248.2)	1,238.5
Other net investment income							0.6	18.8
(Loss) profit before net finance costs							(247.6)	1,257.3
Net finance costs							(22.4)	(49.3)
(Loss) profit after net finance costs							(270.0)	1,208.0

#### Listed Equity Investments at Fair Value Through Other Comprehensive Income

##### (a) Implication on Profit or Loss for the Period

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Period. During the Period, net dividend income of HK\$1,357.1 million (after transaction cost) from holding of 860,000,000 Evergrande Shares and net relevant finance costs of HK\$24.4 million (2019: HK\$62.7 million) were recorded, hence the results from listed equity investments of FVTOCI recorded a net gain of HK\$1,332.7 million (2019: net loss of HK\$62.7 million). Subsequent to the end of the reporting period, the Group received dividend income from the Evergrande Shares of HK\$610.6 million which would be recorded in profit or loss in the second half of 2020.

##### (b) Implication on Other Comprehensive Expenses for the Period

During the Period, the unit share price of China Evergrande had dropped from HK\$21.6 as at 31 December 2019 to HK\$20.0 as at 30 June 2020, or 7.4% over the Period, hence an unrealised loss on fair value change of listed equity investment at FVTOCI of HK\$1,376.0 million (2019: HK\$1,333.0 million) was recognised in other comprehensive expenses. Further, another listed equity investment at FVTOCI was disposed of and recorded a net realised gain of HK\$0.1 million (2019: nil) in other comprehensive expenses for the Period. Realised gain/loss on fair value change is a cash item while unrealised fair value change is a non-cash item and will not affect the cash flow of the Group. The Group believes that the decrease in share price of China Evergrande for the Period, among others, was owing to the unstable business environment in the PRC and overwhelming uncertainties surrounding the epidemic, and China Evergrande, a PRC-based company with US\$ debt exposure against a weakened Renminbi ("RMB") currency, was adversely impacted.

The table below summarises the performance of listed equity investments at FVTOCI during the Period:

	Stock code	Number of shares	Closing price (per share) HK\$	Recorded in unaudited condensed consolidated statement of financial position		Recorded in unaudited condensed consolidated statement of comprehensive income	
				Financial assets measured at fair value through other comprehensive income HK\$ million	Financial assets measured at fair value through other comprehensive income reserve HK\$ million	Profit for the Period HK\$ million	Other comprehensive expenses for the Period HK\$ million
At 31 December 2019	3333	860,000,000	21.6	18,576.0	4,980.0		
	9988	12,800	207.2	2.7	0.4		
Disposal	9988	12,800	216.6	(2.8)	-	-	-
Realised fair value changes (including transaction cost)	9988			0.1	0.1	-	0.1
Unrealised fair value changes	3333			(1,376.0)	(1,376.0)	-	(1,376.0)
				(1,378.7)	(1,375.9)	-	(1,375.9)
Transfer to retained profits upon disposal	9988				(0.5)		
Net dividend income	3333					1,357.1	-
Net finance costs						(24.4)	-
<b>Profit/other comprehensive expenses for the Period</b>						<b>1,332.7</b>	<b>(1,375.9)</b>
<b>At 30 June 2020</b>	3333	860,000,000	20.0	<b>17,200.0</b>	<b>3,604.0</b>		
<b>Percentage to total assets</b>							
<b>At 30 June 2020</b>				<b>40.6%</b>			
At 31 December 2019				38.4%			

#### Other Income and Expenses

Other income for the Period, which mainly came from surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom, net building management fee income, rental services income, property management services, leasing administration services and property administration services income increased to HK\$275.4 million (2019: HK\$30.1 million), representing an increase of 8.1 times. The increase was mainly due to surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom in aggregate of HK\$249.8 million was recorded during the Period.

During the Period, administrative expenses increased by 23.0% to HK\$168.5 million (2019: HK\$137.1 million). The increase in administrative expenses was mainly due to the increase in depreciation of right-of-use assets of HK\$21.7 million during the Period. Finance costs decreased by 33.4% to HK\$128.3 million (2019: HK\$192.6 million) during the Period, including exchange gain of HK\$15.3 million (2019: HK\$2.9 million) on translation of foreign currency other borrowings hedged for foreign currency securities investments and exchange loss of HK\$6.6 million (2019: exchange gain of HK\$1.5 million) on translation of foreign currency bank borrowing and loan. The decrease in finance costs was mainly due to the decrease in total borrowings and interest rates during the Period.

Other gains and losses for the Period recorded a loss on write-down of stock of properties of HK\$1.9 million (2019: HK\$0.7 million).

#### Investments Accounted for Using the Equity Method

The share of results of investments accounted for using the equity method for the Period recorded a loss of HK\$19.4 million (2019: profit of HK\$95.2 million), comprised loss from the share of results of associates of HK\$16.6 million and a joint venture of HK\$2.8 million (2019: profit from the share of results of associates of HK\$85.0 million and a joint venture of HK\$10.2 million).

The share of results of associates turned from profit to loss was mainly derived from (a) decrease in fair value of investment properties held by associates; and (b) share of loss from Hilton Beijing (50% interest) as business was severely affected by COVID-19 pandemic.

During the Period, the Group acquired remaining 49% interest in Landrich, details were disclosed in the section headed "Other Information" below.

### Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong, Mainland China and the United Kingdom were revalued at 30 June 2020 by B.I. Appraisals Limited (“B.I. Appraisals”) (31 December 2019: investment properties in Hong Kong and Mainland China were revalued by B.I. Appraisals and investment properties in the United Kingdom were revalued by Peak Vision Appraisals Limited). They are independent property valuers. An unrealised loss on fair value changes of investment properties of HK\$426.0 million (2019: HK\$427.1 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 Profit, Dividends, Repurchase, Cash Payment Ratio and Total Comprehensive Expenses**

#### Profit

Profit for the Period attributable to owners of the Company was HK\$785.9 million as compared to HK\$844.9 million for the same period of last year. The decrease in profit for the Period was mainly due to a mix of the following reasons: (a) investments and treasury products at FVTPL turning to loss of HK\$270.0 million as compared with profit of HK\$1,208.0 million recorded in the first half of 2019; (b) share of results of investments accounted for using the equity method turned from profit of HK\$95.2 million to loss of HK\$19.4 million; (c) decrease in net rental income; (d) net dividend income of HK\$1,357.1 million (2019: nil) was recognised from the Evergrande Shares during the Period; and (e) surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom of HK\$249.8 million (2019: nil) was recorded during the Period. Earnings per share for the Period was HK\$0.41 (2019: HK\$0.44).

#### Core Profit

If the net loss on the major non-cash items of HK\$461.2 million (2019: HK\$358.6 million) is excluded, the Group will have a core profit for the Period attributable to owners of the Company of HK\$1,247.1 million (2019: HK\$1,203.5 million) and a core profit per share of HK\$0.65 (2019: HK\$0.63).

The major non-cash items represented the attributable net unrealised fair value loss on investment properties together with their respective deferred tax from the Group and its associates and joint venture of HK\$461.2 million (2019: HK\$358.6 million).

#### Dividends

Final dividend of HK1 cent (year ended 31 December 2018: HK10 cents) per share in total amount of HK\$19.1 million for the year ended 31 December 2019 was paid in cash on 11 June 2020.

#### Repurchase

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

#### Cash Payment Ratio

Based on (a) the core profit for the Period of HK\$1,247.1 million or HK\$0.65 per share (2019: HK\$1,203.5 million or HK\$0.63 per share); and (b) cash interim dividend of HK1 cent (2019: HK1 cent) per share declared, the ratio of such cash payment to the core profit is 1.5% (2019: 1.6%).

#### Total Comprehensive Expenses

Total comprehensive expenses for the Period attributable to owners of the Company was HK\$873.1 million or HK\$0.46 per share (2019: HK\$174.3 million or HK\$0.09 per share), which comprised (a) profit for the Period attributable to owners of the Company of HK\$785.9 million (2019: HK\$844.9 million); and (b) other comprehensive expenses for the Period attributable to owners of the Company of HK\$1,659.0 million (2019: HK\$1,019.2 million) which mainly included unrealised loss on fair value changes of listed equity investment at FVTOCI of HK\$1,376.0 million (2019: HK\$1,333.0 million), details are disclosed in the sub-paragraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income (b) Implication on Other Comprehensive Expenses for the Period” of paragraph headed “Securities Investments” above.



## Net Asset Value

As at 30 June 2020, the Group's net asset value attributable to owners of the Company amounted to HK\$32,682.3 million (31 December 2019: HK\$33,568.9 million), a decrease of HK\$886.6 million or 2.6% when compared with 31 December 2019. With the total number of ordinary shares in issue of 1,907,619,079 as at 30 June 2020 and 31 December 2019, the net asset value per share attributable to owners of the Company was HK\$17.13 (31 December 2019: HK\$17.60). The movement in net asset value was mainly due to (a) total comprehensive expenses for the Period attributable to owners of the Company of HK\$873.1 million; (b) gain of HK\$5.6 million recognised in contribution reserve upon disposal of debt securities during the Period; and (c) final dividend recognised as distribution during the Period of HK\$19.1 million.

During the Period, loss on fair value changes of the listed equity investments categorised as financial assets measured at FVTOCI of HK\$1,375.9 million (2019: HK\$1,333.0 million) was recorded in other comprehensive expenses, and the Group transferred the balance of the financial assets measured at FVTOCI reserve of the disposed listed equity investment of HK\$0.5 million to retained profits. The cumulative amount of gain on fair value changes of listed equity investments included in financial assets measured at FVTOCI reserve as at 30 June 2020 was HK\$3,604.0 million (31 December 2019: HK\$4,980.4 million).

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 2020 of HK\$530.7 million (31 December 2019: HK\$1,138.6 million), of which current assets were HK\$5,213.0 million (31 December 2019: HK\$8,653.9 million) and current liabilities were HK\$5,743.7 million (31 December 2019: HK\$9,792.5 million). The position was mainly due to certain of the Group's current liabilities had been utilised to finance the Group's non-current assets.

In the unaudited condensed consolidated statement of financial position and within securities investment activities, which comprised of bonds, listed equity investments and structured products, the total carrying amount as at 30 June 2020 was HK\$21,922.2 million (31 December 2019: HK\$27,554.2 million). Included in non-current assets were part of the bonds in the sum of HK\$798.2 million (31 December 2019: HK\$1,607.4 million) presented as financial assets measured at FVTPL and listed equity investment(s) in the sum of HK\$17,200.0 million (31 December 2019: HK\$18,578.7 million) presented as financial assets measured at FVTOCI. Included in current assets were part of the bonds, listed investment held-for-trading and structured products in the sum of HK\$3,924.0 million presented as financial assets measured at FVTPL and assets classified as held for sale (31 December 2019: bonds of HK\$7,368.1 million presented as financial assets measured at FVTPL). Margin loans utilised to finance the securities investments in both non-current and current assets in the sum of HK\$2,153.8 million (31 December 2019: HK\$7,128.4 million) were presented as borrowings in current liabilities.

If the margin loans of HK\$2,153.8 million (31 December 2019: HK\$7,128.4 million) were allocated into the securities investments secured according to the respective non-current and current assets presentation, HK\$1,418.6 million (31 December 2019: HK\$3,431.4 million) and HK\$735.2 million (31 December 2019: HK\$3,697.0 million) were secured by the securities investments in non-current and current assets respectively.

If the margin loans secured by the securities investments in non-current assets of HK\$1,418.6 million (31 December 2019: HK\$3,431.4 million) were reclassified as non-current liabilities, the net current liabilities position of the Group would become net current assets position as at 30 June 2020 of HK\$887.9 million (31 December 2019: HK\$2,292.8 million).

The ratio of margin loans against pledged securities investments was loan-to-value ratio, which was 12.6% as at 30 June 2020 (31 December 2019: 25.9%). In accordance with the terms and conditions of margin loans facility agreements of the Group with financial institutions, among others, as long as the securities investments maintained market value which is in excess of pre-defined loan-to-value ratios as set out by the financial institutions, the margin loans upon interest payment due date would be roll-overed month-for-month, and repayment of margin loans by the Group to financial institutions would not be required. As such, very often margin loans of the Group which were presented as current liabilities would not be current and would be repayable over one year. In the event that the Group intends to reduce or repay part of the margin loans, the Group might, among others, dispose of some of the securities investments to effect the payment.

Securities investments and treasury products of the Group were frequently traded in the market, and formed part of the Group's treasury management. They were presented as non-current assets and current assets according to their intended holding periods.

If the entire securities investments and treasury products of the Group as at 30 June 2020 were presented as current assets, current assets would be increased by HK\$17,998.2 million (31 December 2019: HK\$20,186.1 million), and net current liabilities position of HK\$530.7 million (31 December 2019: HK\$1,138.6 million) would become net current assets position of HK\$17,467.5 million (31 December 2019: HK\$19,047.5 million).

The Group believes that the net current liabilities position as at 30 June 2020 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. During the Period, the Group diversified the bonds portfolio comprised of the bonds issued by overseas financial institutions and PRC-based real estate companies.

As at 30 June 2020, the portfolio of securities investments and treasury products of HK\$21,922.2 million (31 December 2019: HK\$27,554.2 million) comprised (a) bonds, structured products and listed investment held-for-trading (presented as financial assets measured at FVTPL (non-current and current assets) and assets classified as held for sale) in aggregate of HK\$4,722.2 million (31 December 2019: bonds of HK\$8,975.5 million); and (b) listed equity investment(s) (presented as financial assets measured at FVTOCI) of HK\$17,200.0 million (31 December 2019: HK\$18,578.7 million), representing 51.8% (31 December 2019: 57.0%) of total assets.

The respective securities investments under different categories are elaborated below:

### Listed Equity Investments at Fair Value Through Other Comprehensive Income

In prior years, the Group had acquired 860,000,000 shares of China Evergrande and recorded as financial assets measured at FVTOCI. During the Period, there was no acquisition or disposal of shares of China Evergrande. The Group held 860,000,000 shares of China Evergrande, representing approximately 6.6% of the total issued share capital of China Evergrande as at 30 June 2020.

As at 31 December 2019, the cumulative unrealised gain on fair value change of the Evergrande Shares was HK\$4,980.0 million and the carrying amount of the Evergrande Shares was HK\$18,576.0 million. After deducting the unrealised fair value loss of HK\$1,376.0 million for the Period, the carrying amount of the Evergrande Shares as at 30 June 2020 was HK\$17,200.0 million, representing 40.6% (31 December 2019: 38.4%) of total assets. The cumulative unrealised gain on fair value change of the Evergrande Shares was reduced from HK\$4,980.0 million as at 31 December 2019 to HK\$3,604.0 million as at 30 June 2020, which was recorded in the financial assets measured at FVTOCI reserve.

China Evergrande group is principally engaged in property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the PRC. According to the audited consolidated financial statements of China Evergrande for the years ended 31 December 2019 and 2018, the revenue and profit attributable to shareholders were RMB477.6 billion (2018: RMB466.2 billion) and RMB17.3 billion (2018: RMB37.4 billion) respectively; while the total assets and total equity were RMB2,206.6 billion (2018: RMB1,880.0 billion) and RMB358.5 billion (2018: RMB308.6 billion) respectively, the net debt was RMB571.1 billion (2018: RMB468.9 billion). Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

As at 31 December 2019, the carrying amount of another listed equity investment at FVTOCI was HK\$2.7 million, after recorded a net realised gain of HK\$0.1 million (2019: nil) and was decreased by a disposal of HK\$2.8 million (2019: nil), the carrying amount of that listed equity investment at FVTOCI became nil. The cumulative fair value gain together with the transaction costs in the financial assets measured at FVTOCI reserve of that listed equity investment disposed of amounted to HK\$0.5 million was transferred to retained profits.

Investments and Treasury Products at Fair Value Through Profit or Loss

As at 31 December 2019, the carrying amount of the bonds presented as financial assets measured at FVTPL was HK\$8,975.5 million. During the Period, the bonds portfolio was decreased by a net disposal of HK\$3,716.5 million (including disposal to Ms. Chan, Hoi-wan of HK\$3,980.6 million and net acquisition from third parties of HK\$264.1 million). After deducting the fair value loss of HK\$605.2 million recognised in profit or loss, the bonds portfolio of the Group became HK\$4,653.8 million (including HK\$2,325.6 million presented as financial assets measured at FVTPL and HK\$2,328.2 million presented as assets classified as held for sale) as at 30 June 2020, representing 11.0% (31 December 2019: 18.6%) of total assets, which formed part of the Group's cash management activities.

As at 30 June 2020, the bonds portfolio (including bonds presented as financial assets measured at FVTPL and assets classified as held for sale) comprised of bonds issued by overseas financial institutions of 13.6% (31 December 2019: 40.5%), PRC-based real estate companies of 86.1% (31 December 2019: 55.9%) and other industries of 0.3% (31 December 2019: 3.6%). They are denominated in different currencies with 95.0% (31 December 2019: 97.0%) in US\$, 4.7% (31 December 2019: 3.0%) in GBP and 0.3% (31 December 2019: nil) in EUR. The bonds denominated in US\$ carry at fixed rate range from 4.750% to 13.750% (31 December 2019: 4.750% to 13.750%) per annum of which notional amount of US\$466.8 million (31 December 2019: US\$937.0 million) are callable, all bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% (31 December 2019: 5.875% to 7.250%) per annum of notional amount of GBP23.5 million (31 December 2019: GBP24.5 million) are callable and bond denominated in EUR carries at fixed rate of 6.125% of notional amount of EUR2.0 million (31 December 2019: nil) is callable. As at 30 June 2020, the bonds portfolio comprised of 24 bonds (31 December 2019: 34 bonds); in terms of credit rating, non-investment grade and unrated were 19 bonds and 5 bonds (31 December 2019: investment grade, non-investment grade and unrated were 5 bonds, 26 bonds and 3 bonds) respectively. In terms of maturity, 8 bonds (31 December 2019: 17 bonds) were contingent convertible bonds issued by overseas financial institutions which were perpetual with no fixed tenor, 16 bonds (31 December 2019: 17 bonds) issued by issuers other than overseas financial institutions will be matured between 2020 to 2025 (31 December 2019: 17 bonds would be matured between 2020 to 2046).

Details and movement of the bonds portfolio at the end of the reporting period are set out below:

	Overseas financial institutions HK\$ million	PRC-based real estate HK\$ million	Others HK\$ million	Total HK\$ million
<b>Movement of bonds portfolio</b>				
Carrying amounts				
At 31 December 2019	3,632.4	5,015.1	328.0	8,975.5
Purchases	17.2	283.2	10.2	310.6
Disposals	(2,699.3)	(1,047.8)	(280.0)	(4,027.1)
Fair value changes (recognised in profit or loss)	(317.2)	(243.4)	(44.6)	(605.2)
<b>At 30 June 2020</b>	<b>633.1</b>	<b>4,007.1</b>	<b>13.6</b>	<b>4,653.8</b>
<b>Percentage to total assets</b>				
<b>At 30 June 2020</b>	<b>1.5%</b>	<b>9.5%</b>	<b>0.0%</b>	<b>11.0%</b>
At 31 December 2019	7.5%	10.4%	0.7%	18.6%
	<b>At 30 June 2020</b>		<b>At 31 December 2019</b>	
	<b>HK\$ million</b>	<b>Percentage to total</b>	<b>HK\$ million</b>	<b>Percentage to total</b>
<b>Bond issuers by industry</b>				
Carrying amounts				
Overseas financial institutions	633.1	13.6%	3,632.4	40.5%
PRC-based real estate	4,007.1	86.1%	5,015.1	55.9%
Others	13.6	0.3%	328.0	3.6%
	<b>4,653.8</b>	<b>100.0%</b>	8,975.5	100.0%

	At 30 June 2020			At 31 December 2019		
	Coupon rate (per annum)	HK\$ million	Percentage to total	Coupon rate (per annum)	HK\$ million	Percentage to total
<b>Bonds by currency</b>						
Carrying amounts						
US\$	4.750% to 13.750%	4,420.6	95.0%	4.750% to 13.750%	8,710.3	97.0%
GBP	5.875% to 7.250%	216.7	4.7%	5.875% to 7.250%	265.2	3.0%
EUR	6.125%	16.5	0.3%	N/A	-	-
		<b>4,653.8</b>	<b>100.0%</b>		<b>8,975.5</b>	<b>100.0%</b>

### Investment in China Evergrande

As at 30 June 2020, the Group's securities investments in an entity with a value which exceeds 5% of the Group's total assets is investments in China Evergrande. The Group's securities investments in China Evergrande including listed shares and bonds amounted to HK\$18,545.1 million (31 December 2019: HK\$20,012.0 million) or 43.8% (31 December 2019: 41.4%) of total assets.

The Group held 860,000,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$13,596.0 million. As at 30 June 2020, the market value of the Evergrande Shares was HK\$17,200.0 million (31 December 2019: HK\$18,576.0 million), there was net dividend income of HK\$1,357.1 million (after transaction costs) for the Period. As at 30 June 2020, the Group also held 5 bonds which were issued by China Evergrande and its indirect wholly-owned subsidiary, Scenery Journey Limited (collectively "Evergrande Group").

Details and the performance of the 5 bonds issued by the Evergrande Group as at 30 June 2020 and for the Period are summarised as follows:

Bonds	Name of issuer	Acquisition cost	Market price	Market value	Unrealised loss	Interest income
		HK\$ million	%	HK\$ million	HK\$ million	HK\$ million
Evergrande 10.5%	China Evergrande Group	392.5	86.966	337.0	31.5	20.3
Evergrande 10%	China Evergrande Group	392.5	90.504	350.7	19.2	19.4
Evergrande 8.75%	China Evergrande Group	310.1	80.235	248.7	19.5	13.6
Scenery Journey 13%	Scenery Journey Limited	438.5	97.625	393.5	19.9	26.2
Scenery Journey 13.75%	Scenery Journey Limited	15.7	97.927	15.2	0.7	1.1
<b>Evergrande Group's bonds at 30 June 2020</b>		<b>1,549.3</b>		<b>1,345.1</b>	<b>90.8</b>	<b>80.6</b>

Evergrande 10.5% bond carries fixed coupon rate of 10.5% per annum. It is denominated in US\$ and matures on 11 April 2024. The bond is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and rated "B2" by Moody's Investors Service, Inc. ("Moody's").

Evergrande 10% bond carries fixed coupon rate of 10% per annum. It is denominated in US\$ and matures on 11 April 2023. The bond is listed on the SGX-ST and rated "B2" by Moody's.

Evergrande 8.75% bond carries fixed coupon rate of 8.75% per annum. It is denominated in US\$ and matures on 28 June 2025. The bond is listed on the Frankfurt Stock Exchange, the SGX-ST and the Stuttgart Stock Exchange and rated "B3e" by Moody's.

Scenery Journey 13% bond carries fixed coupon rate of 13% per annum. It is denominated in US\$ and matures on 6 November 2022. The bond is listed on the SGX-ST and rated "B2e" by Moody's.

Scenery Journey 13.75% bond carries fixed coupon rate of 13.75% per annum. It is denominated in US\$ and matures on 6 November 2023. The bond is listed on the SGX-ST and are rated "B2e" by Moody's.

China Evergrande group is principally engaged in property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the PRC. Its shares are listed on the Stock Exchange (stock code: 3333). China Evergrande is one of the leading real estate developers in the PRC with strong property sale and reasonable profit margin. The Group believes that dividend payment from the Evergrande Shares will provide steady income to the Group. Bonds issued by the Evergrande Group carry attractive coupon interest rates which the Group believes that it will enhance investment return from treasury management perspective.

## Unlisted Securities Investments

The Group invested in the Cayman Islands Partnership and the carrying amount was HK\$467.9 million as at 31 December 2019. During the Period, the Group has contributed US\$1.1 million (equivalent to approximately HK\$8.3 million) and received distribution of US\$2.3 million (equivalent to approximately HK\$17.6 million) (which were included in financial assets measured at FVTOCI), after adding the fair value gain for the Period of HK\$0.7 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$459.3 million as at 30 June 2020, representing 1.1% (31 December 2019: 1.0%) 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 2020 and 31 December 2019 were 1,907,619,079.

## **Debt and Gearing**

As at 30 June 2020, the Group's total debt amounted to HK\$8,280.3 million (31 December 2019: HK\$13,574.3 million), comprised bank and other borrowings of HK\$8,124.4 million (31 December 2019: HK\$13,442.3 million) and lease liabilities amounted to HK\$155.9 million (31 December 2019: HK\$132.0 million). Cash and deposits at banks amounted to HK\$556.7 million (31 December 2019: HK\$565.3 million), pledged deposits amounted to HK\$319.7 million (31 December 2019: HK\$274.2 million) and net debt (including lease liabilities) amounted to HK\$7,403.9 million (31 December 2019: HK\$12,734.8 million).

Total debt to equity ratio (including lease liabilities) was 25.3% (31 December 2019: 40.4%) and net debt to equity ratio (including lease liabilities) was 22.6% (31 December 2019: 37.9%), which are expressed as a percentage of total debt, and net debt, respectively, over the total equity of HK\$32,703.8 million (31 December 2019: HK\$33,590.4 million). The decrease in both ratios was mainly due to decrease in total debt and net debt.

If the securities investments and treasury products of HK\$21,922.2 million (31 December 2019: HK\$27,554.2 million) are included, there would be a net cash position of HK\$14,518.3 million (31 December 2019: HK\$14,819.4 million).

As at 30 June 2020, the Group's bank and other borrowings of HK\$8,124.4 million, 63.8%, 24.2% and 12.0% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (39.3%), GBP (43.9%), US\$ (16.2%) and EUR (0.6%) before entering the cross currency swap. HK\$, GBP, US\$ and EUR securities investments were hedged by HK\$, GBP, US\$ and EUR borrowings. 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 2020, notional amount of approximately US\$159.7 million was outstanding. The Group's bank borrowings were carried at interest rates calculated with reference to cost of funds, Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate; other borrowings were carried at interest rates calculated with reference to cost of funds or HIBOR. As at 30 June 2020, all the Group's 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 2020, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$12,331.7 million (31 December 2019: HK\$12,248.6 million) and bank deposits of HK\$234.6 million (31 December 2019: HK\$255.8 million) were pledged to the banks to secure general banking and loan facilities granted to the Group.

- (b) The Group's bonds, listed equity investments and listed investment held-for-trading with carrying amounts of HK\$17,155.3 million (31 December 2019: bonds and listed equity investments of HK\$27,554.2 million) and cash deposits of HK\$85.1 million (31 December 2019: HK\$18.4 million) were pledged to the financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$2,153.8 million (31 December 2019: HK\$7,128.4 million) was utilised as at 30 June 2020 as borrowings due within one year.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

As at 31 December 2019, the Group had subordinated and assigned its advance to a joint venture of HK\$158.8 million to a bank to secure a banking facility granted to the joint venture.

### **Financial and Interest Income/Expenses**

Interest income was included in revenue and investment income. Interest income for the Period increased to HK\$359.5 million (2019: HK\$355.6 million) as compared with same period of last year.

Finance costs included interest expenses on bank and other 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\$132.2 million, representing a decrease of 31.5% over the same period of last year of HK\$193.1 million. Interest capitalised for the Period was HK\$1.4 million (2019: nil). The decrease in interest expenses was mainly due to the decrease in total borrowings and interest rates during the Period. The average interest rate over the period under review was 2.39% (2019: 2.63%), 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 2020, the Group employed a total of 484 staff (31 December 2019: 481 staff) including about 241 staff (31 December 2019: 235 staff) employed under the estate management company in Hong Kong and 1 staff (31 December 2019: 1 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 2020, the Group's investment properties in the United Kingdom with carrying amount of GBP784.0 million (equivalent to approximately HK\$7,476.9 million) (31 December 2019: GBP788.2 million (equivalent to approximately HK\$8,051.1 million)) incurred a net profit of HK\$214.9 million (2019: net loss of HK\$334.4 million) to the Group for the Period, the profit/loss mainly included in gross profit, other income, fair value changes on investment properties, finance costs and taxation. GBP exchange loss of foreign operations included in other comprehensive expenses for the Period amounted to HK\$286.1 million (2019: HK\$5.1 million). As at 30 June 2020, the Group's net investment in the United Kingdom amounted to HK\$4,059.0 million (31 December 2019: HK\$4,129.6 million) representing 12.4% (31 December 2019: 12.3%) of the Group's total equity.

Loss incurred by the Group's investment in Mainland China (mainly included in fair value changes on investment properties, share of results of investments accounted for using the equity method and taxation) for the Period amounted to HK\$25.3 million (2019: HK\$5.9 million). RMB exchange loss of foreign operations included in other comprehensive expenses (including share of investments accounted for using the equity method) for the Period amounted to HK\$8.4 million (2019: HK\$1.8 million). The Group's net investment in Mainland China as at 30 June 2020 amounted to HK\$499.2 million (31 December 2019: HK\$536.6 million) representing 1.5% (31 December 2019: 1.6%) of the Group's total equity.

## **Property Valuation**

Property valuations in respect of the Group's investment properties in Hong Kong, Mainland China and the United Kingdom as at 30 June 2020 were carried out by B.I. Appraisals (31 December 2019: investment properties in Hong Kong and Mainland China were carried out by B.I. Appraisals and investment properties in the United Kingdom were carried out by Peak Vision Appraisals Limited), independent qualified professional valuer(s). Their valuations were based on investment method and/or direct comparison method and/or residual method as the valuation methodologies and were used in preparing 2020 interim results.

The Group's investment properties were valued at HK\$14,705.6 million (31 December 2019: HK\$14,759.5 million), a 2.8% decrease over 2019 after adjusted for the additions and exchange adjustments of investment properties during the Period. The decrease in fair value of HK\$426.0 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The Group also shared a decrease in fair value of investment properties of associates and a joint venture of HK\$30.1 million in total for the Period.

The decrease in fair value of HK\$426.0 million was mainly derived from the decrease in fair value of Harcourt House in Hong Kong. The fair value change is a non-cash item and will not affect the cash flow of the Group.

## **BUSINESS REVIEW**

### **Hong Kong Property Investment**

Rentals from investment properties continued to be one of the major sources of our income.

As at 30 June 2020, the occupancy rate of the shops of Causeway Place was approximately 96.64%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 96.74% during the Period.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 74.03% during the Period.

During the Period, the average occupancy rate of the Group's office property, Harcourt House was approximately 83.14%.

No. 1 Hung To Road (33.33% interest), a 33-storey industrial building in Kwun Tong, the occupancy rate was approximately 99.33% as at 30 June 2020.

Nos. 14-18 Ma Kok Street (100% interest), an industrial building in Tsuen Wan was vacant as at 30 June 2020. It is planned to be redeveloped into a 25-storey (including G/F and 2 levels of basement) industrial building with a total gross floor area of approximately 228,000 square feet. The redevelopment is in planning and design stage which is expected to be completed by end of 2024. The Group's equity interest in the company holding Nos. 14-18 Ma Kok Street has been increased from 51% to 100% in February 2020.

### **Hong Kong Property Development**

The Hermitage (25% interest) is one of the Group's joint venture development projects in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. As at 30 June 2020, 99.79% of total residential units were sold.

The Coronation (15% interest) is another joint venture development project of the Group in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet. As at 30 June 2020, all residential units were sold.

Grand Central (10% interest) is a joint venture development project of the Group awarded by the Urban Renewal Authority. Its total site area is approximately 234,160 square feet. Total gross floor area of around 1,853,561 square feet will be developed. 4 residential tower blocks with 1,999 residential units in aggregate will be built in two phases. 860 units of first phase and 770 units of second phase were presold up to 30 June 2020. Superstructure works of both phases are in progress, the whole project will be completed in the first half of 2021.

## **Mainland China Property Investment**

Hilton Beijing (50% interest), a five-star international hotel having 506 rooms, its occupancy rate has been dropped to approximately 16.20% as at 30 June 2020 due to renovation works and the outbreak of COVID-19. Due to the pandemic, the renovation works of 5th to 14th Floors of the main tower were temporarily suspended.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing. Its average occupancy rate was approximately 77.50% during the Period.

## **Overseas Property Investment**

River Court is a freehold office building situated at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. During the Period, the retails portion of River Court was fully let while the office accommodation was vacant as the anchor tenant has moved out in the first quarter of 2020. It is expected that asset enhancement works of office accommodation will be carried out in due course when relevant government approval is granted.

“14 St George Street” is a freehold office building located in London, United Kingdom. The building comprises approximately 51,861 square feet of office accommodation arranged over lower ground, ground and four upper floors, approximately 96.51% had been let out during the Period on average.

“61-67 Oxford Street and 11-14 Soho Street” is a mixed use freehold building located in London, United Kingdom, comprising approximately 55,162 square feet in aggregate. The building provides retails, office and residential accommodation, occupying approximately 33,850 square feet, 13,735 square feet and 7,577 square feet respectively, over lower ground, ground and six upper floors. During the Period, the average occupancy rate was approximately 88.70%.

“11 and 12 St James’s Square and 14 to 17 Ormond Yard” is a mixed use freehold building located in London, United Kingdom. The building provides around 80,000 square feet office accommodation arranged over lower ground, ground and six upper floors, approximately 93.26% had been let out during the Period on average.

## **Securities Investments**

Securities investment is one of the principal activities of the Group.

The Group’s strategy is to maintain securities investment portfolio for treasury management. As at 30 June 2020, the Group’s securities investment portfolio mainly comprised of bonds and listed equity investments. 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 investment 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 gain recognised from securities investments and treasury products for the Period was approximately HK\$1,062.7 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**

### **Acquisition of Remaining Interest in Nos.14-18 Ma Kok Street, Tsuen Wan – Discloseable Transaction**

As announced on 10 January 2020, the Group has on 10 January 2020 entered into a sale and purchase agreement with an independent third party in relation to, inter alia, the acquisition of the remaining 49% interest in Landrich (H.K.) Limited (“Landrich”) (the owner of Tsuen Wan Town Lot No.128 situated at Nos.14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and the building erected thereon) (the “Acquisition”). The Group initially acquired 50% interest in Landrich in March 2018 and further acquired 1% interest in Landrich in December 2019 (the “Previous Acquisitions”). Subsequent to the completion of the Acquisition on 28 February 2020, Landrich has become a wholly-owned subsidiary of the Company. The Acquisition (aggregated with the Previous Acquisitions) constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).



## **Disposal of Debt Securities – Major and Connected Transaction**

The Group has on 29 January 2020 entered into a disposal agreement with Ms. Chan, Hoi-wan (an Executive Director and a trustee of the substantial shareholders of the Company (who are her minor children)) in relation to, inter alia, the disposal of certain debt securities (the “Disposal”). The Disposal constituted a major and connected transaction of the Company under the Listing Rules. Details of the Disposal were set out in the Company’s announcement dated 29 January 2020 and circular dated 28 February 2020. The Disposal was approved by the independent shareholders of the Company at the special general meeting of the Company held on 23 March 2020.

## **Disposal of Perpetual Bond – Discloseable Transaction**

On 19 March 2020, the Group disposed of the 7.5% fixed rate resetting perpetual subordinated contingent convertible securities issued by Standard Chartered PLC (the shares of which are listed on the London Stock Exchange, the Stock Exchange (stock code: 2888), the Bombay Stock Exchange in India and the National Stock Exchange in India) (the “Perpetual Bond”) in the principal amount of US\$2,500,000 (equivalent to approximately HK\$19,490,000) through over-the-counter market for a consideration of approximately US\$2,265,000 (equivalent to approximately HK\$17,655,000) (inclusive of accrued interest) (the “Bond Disposal”). The Bond Disposal (when aggregated with the conditional disposal of the Perpetual Bond under the Disposal mentioned in the above paragraph) constituted a discloseable transaction for the Company under the Listing Rules as more described in the Company’s announcement dated 20 March 2020.

## **Change of Address of Principal Office in Hong Kong**

With effect from 20 April 2020, the address of the Company’s head office and principal place of business in Hong Kong has been changed to 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong. Relevant announcement had been made on 17 April 2020.

## **Leasing of Windsor House - Connected Transaction and Continuing Connected Transaction**

On 12 June 2020, the Group (as tenant) entered into a tenancy agreement in relation to the leasing of the whole of 39th Floor of Chubb Tower, Windsor House with a company at that time indirectly owned by (i) Ms. Chan, Hoi-wan (an Executive Director and a trustee of the substantial shareholders of the Company (who are her minor children)), both in her capacity as a trustee of her minor children and in her own capacity; and (ii) a family trust of Mr. Lau, Ming-wai (a Non-executive Director and the Chairman of the Board) (as landlord) (the “Transaction”), for the purpose of other part of the new headquarter of the Group. The Transaction constituted a connected transaction and a continuing connected transaction for the Company under the Listing Rules as more described in the Company’s announcement dated 12 June 2020.

## **Update on Impact on the Outbreak of COVID-19 to the Group**

The outbreak of COVID-19 in Hong Kong and many countries started in early 2020 and continues up to the date of this announcement, its social-economic impact is unprecedented. The global pandemic is having a major impact on the economies and financial markets.

The drop in rental income of the Group during the Period was mainly due to the surrender of lease by an anchor tenant of one of the investment properties in the United Kingdom. Meanwhile, in view of COVID-19 pandemic, rent concessions have been given by the Group to certain tenants to ease their hardship that resulted in a drop in rental income.

The spreading of COVID-19 pandemic has adversely affected the fair value of investment properties of the Group. During the Period, the Group recorded an unrealised loss on fair value changes of investment properties of HK\$426.0 million.

The Group shared loss from Hilton Beijing (50% interest) during the Period, mainly due to the significant decline in room sales and food and beverage business, as a result of COVID-19 pandemic.

For the financial market, due to recent market volatility and changes in the market sentiments of the pandemic, the market price of investment securities during the Period was in general lower than the beginning of the Period. During the Period, the Group recognised unrealised loss and realised loss on investments and treasury products at fair value through profit or loss of HK\$244.5 million and HK\$358.6 million respectively in profit or loss.

As COVID-19's duration is unpredictable and the extent of its impact is not easy to determine under this volatile situation of the pandemic, it is believed that COVID-19 will continue to affect the Group's businesses for a period of time.

## **PROSPECTS**

The global economic and political outlooks are facing unprecedented changes and challenges as COVID-19 continues and causing sow uncertainties. The relieve from Europe having reached a major milestone in its financial arrangements with the EUR750 billion European Union Recovery Fund is overwhelmed by both the tremendous tensions between China and the United States; and the motions of the United States to persuade western countries to decouple with China. Events like these, which have unfolded since the beginning of the year, have rapidly turned the Phase One Sino-US trade deal made in late last year to become immensely fragile. With the presidential election for the United States scheduled for early November, other rounds of politically led global economic turbulence seem inevitable. The ultra-low interest rate environment and escalating geopolitical risks have triggered gold prices to reach record high since 2011 as investors embrace gold as the risk hedging instrument.

The fast escalating tensions between China and the United States not only affect these two major world powers detrimentally, but also bring the global economies with them. Hong Kong is likely to be the single most affected city among all.

Economic recession deepened in Hong Kong in the second quarter of 2020, at -9% in annual terms. The Government of Hong Kong has launched rounds of measures totaling HK\$287.5 billion to provide financial support to help businesses to stay afloat, and sustain employments under the pandemic. These measures have helped Hong Kong economy against massive deterioration. Nonetheless, the outbreak of the third wave of COVID-19 since July 2020 has hit the City severely on her path of economic recovery. Hospitality and retail sectors remain as the main victims. But the food and beverage sector and sectors whose business openings are restricted as governmental tightened measures to fight the third wave of COVID-19 are also hammered hard.

As a result, it is unlikely that the Hong Kong economy will see a swift rebound, and its road for recovery is likely to be a long one. Accordingly, it is expected that the Group's investment properties will face numerous challenges over the remainder of 2020. The residential sales market has, among all segments of properties, shown relatively resilient amidst the pandemic; increasing unemployment rates and Sino-US tensions, because of the exceptionally low-interest rates; anticipated lack of new supply in future; as well as the change in government policy to effectively enable higher mortgage ratios for residential properties of HK\$10 million or below. As these key market drivers are likely to remain for the short and mid-term, it is anticipated that residential property prices will continue to be relatively robust.

In the United Kingdom, attention has turned to Brexit negotiations, which may still be a key volatile factor despite the country is preparing towards the end of the transition period. Notwithstanding this uncertainty, the Group preserves long-term view for the United Kingdom economy and is optimistic that her economy will be on the upside in the long run. Our immediate focus is on the asset enhancement works through our team of experts for our properties, so as to be well prepared when the signs of recovery emerges.

Though equity markets around the world rebounded sharply from first quarter 2020, the stock markets are still likely to be volatile in face of overwhelming uncertainties surrounding the pandemic and the presidential election for the United States scheduled for early November.

Looking ahead, the global economic growth is unlikely to experience a swift rebound. In this instance, the Group will keep an eye on the underlying political tensions as well as the recent spike in local infection cases of COVID-19, and be cautiously and watchfully whenever any investment decisions will be made. Meanwhile, we will grasp investment opportunity amid the low-interest landscape and concern shareholders' value as a whole.

## **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 Independent Non-executive Directors, 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 deviations:-

### **Code Provision A.6.7**

#### **– Non-executive Directors Attending General Meetings**

Mr. Lau, Ming-wai, a Non-executive Director (“NED”), was unable to attend the special general meeting of the Company held on 23 March 2020 (“SGM”) and the annual general meeting of the Company held on 26 May 2020 (“AGM”) as he had business engagement. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the SGM and AGM as she was not in Hong Kong on both dates.

### **Code Provision E.1.2**

#### **– Chairman Attending Annual General Meeting**

Mr. Lau, Ming-wai, the Chairman of the Board, 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. All Relevant Employees, after specific enquiries by the Company, 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, 13 August 2020

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

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

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

*Results Highlights will also be posted on the Company's website on 13 August 2020.*