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Liu Chong Hing Investment Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 00194)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors of Liu Chong Hing Investment Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3		
Contracts with customers		214,709	197,370
Rental income		149,023	156,620
Interest and dividend income		26,084	35,158
		<u>389,816</u>	<u>389,148</u>
Direct costs		(154,343)	(163,858)
		<u>235,473</u>	<u>225,290</u>
Other income		5,267	11,407
Administrative and operating expenses		(113,844)	(109,020)
Other gains and losses		138,617	(71,171)
Finance costs		(11,695)	(26,359)
Share of results of joint ventures		6,401	10,513
		<u>260,219</u>	<u>40,660</u>
Profit before tax		260,219	40,660
Income tax expense	4	(22,878)	(19,429)
		<u>237,341</u>	<u>21,231</u>
Profit for the period		<u>237,341</u>	<u>21,231</u>
Profit for the period attributable to:			
Owners of the Company		232,673	17,375
Non-controlling interests		4,668	3,856
		<u>237,341</u>	<u>21,231</u>
Basic earnings per share	5	<u>HK\$0.61</u>	<u>HK\$0.05</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>237,341</u>	<u>21,231</u>
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	190,369	(76,316)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	32,812	(87,203)
Share of other comprehensive expense of joint ventures	<u>(2,695)</u>	<u>(347)</u>
Other comprehensive income (expense) for the period (net of tax)	<u>220,486</u>	<u>(163,866)</u>
Total comprehensive income (expense) for the period	<u><u>457,827</u></u>	<u><u>(142,635)</u></u>
Total comprehensive income (expenses) attributable to:		
Owners of the Company	450,610	(141,648)
Non-controlling interests	<u>7,217</u>	<u>(987)</u>
	<u><u>457,827</u></u>	<u><u>(142,635)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current assets			
Investment properties		9,213,227	9,000,490
Property, plant and equipment		1,366,475	1,395,632
Right-of-use assets		5,080	5,879
Interests in joint ventures		378,524	334,918
Investments in securities		659,607	468,547
Deposit paid		123,504	–
Fixed bank deposits with more than three months to maturity upon placement		49,153	48,598
Deferred tax assets		20,608	20,608
		11,816,178	11,274,672
Current assets			
Properties under development for sale		1,114,408	1,014,408
Properties held for sale		532,787	584,077
Inventories		31,557	25,753
Trade and other receivables	7	139,570	80,924
Investments in securities		21,736	20,598
Fixed bank deposits with more than three months to maturity upon placement		58,313	62,350
Bank balances and cash		1,795,882	1,876,768
		3,694,253	3,664,878
Current liabilities			
Trade and other payables	8	443,531	399,334
Lease liabilities		1,360	2,710
Contract liabilities		11,425	771
Derivative financial instrument		149	1,808
Taxation payable		43,272	33,370
Borrowings — due within one year		606,632	480,469
		1,106,369	918,462
Net current assets		2,587,884	2,746,416
Total assets less current liabilities		14,404,062	14,021,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2021

	<i>Note</i>	30 June 2021	31 December 2020
		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current liabilities			
Other payables	8	108,549	98,116
Lease liabilities		4,023	3,487
Borrowings — due after one year		994,604	993,376
Deferred tax liabilities		268,321	260,726
		<hr/> 1,375,497	<hr/> 1,355,705
		<hr/> 13,028,565	<hr/> 12,665,383
Equity			
Share capital		381,535	381,535
Reserves		12,552,097	12,196,132
		<hr/> 12,933,632	<hr/> 12,577,667
Equity attributable to:			
Owners of the Company		12,933,632	12,577,667
Non-controlling interests		94,933	87,716
		<hr/> 13,028,565	<hr/> 12,665,383
Total equity		<hr/> 13,028,565	<hr/> 12,665,383

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (the “Companies Ordinance”).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resources allocation or assessment of segment performance focuses on types of goods and services delivered or provided. No operating segment identified by the CODM has been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group’s operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Property investment — investment and letting of properties
2. Property development — development and sale of properties
3. Property management — provision of property management services
4. Treasury investment — dealings and investments in securities and other financial instruments
5. Trading and manufacturing — manufacture and sale of magnetic products
6. Hotel operation — management and operation of hotels and food & beverage business

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segment.

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Trading and manufacturing <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended									
30 June 2021									
Segment revenue	152,361	113,460	17,259	26,084	44,469	46,542	400,175	(10,359)	389,816
Comprising:									
— revenue from customers	149,023	113,460	10,575	26,084	44,469	46,205			
— inter-segment transactions (<i>note</i>)	3,338	-	6,684	-	-	337			
Operating expenses	(67,343)	(70,312)	(13,328)	(16,721)	(41,862)	(63,713)	(273,279)	10,359	(262,920)
Gain on changes in fair value of investment properties	123,665	-	-	-	-	-	123,665	-	123,665
Gain on changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)	-	-	-	1,138	-	-	1,138	-	1,138
Gain on changes in fair value of derivative financial instrument	-	-	-	1,659	-	-	1,659	-	1,659
Loss on disposal of property, plant and equipment	-	-	-	-	-	(22)	(22)	-	(22)
Net exchange (losses) gains	(2,193)	4,469	(61)	9,962	-	-	12,177	-	12,177
Segment profit (loss)	<u>206,490</u>	<u>47,617</u>	<u>3,870</u>	<u>22,122</u>	<u>2,607</u>	<u>(17,193)</u>	<u>265,513</u>	<u>-</u>	<u>265,513</u>
Share of results of joint ventures									6,401
Finance costs									(11,695)
Profit before tax									<u>260,219</u>

note: Inter-segment transactions are charged at prevailing market prices.

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Trading and manufacturing <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended									
30 June 2020									
Segment revenue	159,661	143,939	16,655	35,158	29,204	14,097	398,714	(9,566)	389,148
Comprising:									
— revenue from customers	156,620	143,939	10,718	35,158	29,204	13,509			
— inter-segment transactions (<i>note</i>)	3,041	—	5,937	—	—	588			
Operating expenses	(65,621)	(79,557)	(9,605)	(22,316)	(28,324)	(65,614)	(271,037)	9,566	(261,471)
Loss on changes in fair value of investment properties	(51,132)	—	—	—	—	—	(51,132)	—	(51,132)
Loss on changes in fair value of financial assets at FVTPL	—	—	—	(1,937)	—	—	(1,937)	—	(1,937)
Gain on changes in fair value of derivative financial instruments	—	—	—	807	—	—	807	—	807
Loss on disposal of property, plant and equipment	(56)	—	—	—	—	—	(56)	—	(56)
Net exchange (losses) gains	(3,490)	(9,818)	94	(5,639)	—	—	(18,853)	—	(18,853)
Segment profit (loss)	<u>39,362</u>	<u>54,564</u>	<u>7,144</u>	<u>6,073</u>	<u>880</u>	<u>(51,517)</u>	<u>56,506</u>	<u>—</u>	<u>56,506</u>
Share of results of joint ventures									10,513
Finance costs									<u>(26,359)</u>
Profit before tax									<u><u>40,660</u></u>

note: Inter-segment transactions are charged at prevailing market prices.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of share of results of joint ventures and finance costs. In addition, the Group's administrative costs are allocated to respective operating segments on the basis of revenues earned by individual operating segments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	4,522	5,202
PRC Enterprise Income Tax	10,853	14,266
	<u>15,375</u>	<u>19,468</u>
Overprovision in prior years:		
Hong Kong Profits Tax	(10)	–
PRC Land Appreciation Tax (“LAT”)	<u>3,099</u>	<u>3,586</u>
Deferred taxation		
Current period	2,850	(13,282)
Dividend withholding tax	1,564	9,657
	<u>4,414</u>	<u>(3,625)</u>
	<u><u>22,878</u></u>	<u><u>19,429</u></u>

Notes:

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

- (b) Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.
- (c) The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

5. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company of HK\$232,673,000 (six months ended 30 June 2020: HK\$17,375,000) and on 378,583,440 (30 June 2020: 378,583,440) ordinary shares in issue during the period.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue during both periods.

6. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared and paid for 2020 — HK\$0.25 per share (2020: declared and paid for 2019 HK\$0.38 per share)	<u>94,645</u>	<u>143,862</u>
Dividend declared in respect of current period:		
Interim dividend declared for 2021 — HK\$0.18 per share (2020: HK\$0.15 per share)	<u>68,145</u>	<u>56,788</u>

On 5 August 2021, the Board of Directors has approved an interim cash dividend of HK\$0.18 per share (2020: HK\$0.15 per share), which will be paid to the Company's shareholders whose names appear on the Register of Members on 2 September 2021.

7. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables	29,356	30,663
Deposits paid	8,822	8,481
Value added tax receivables	45,801	2,523
Prepayments and other receivables	<u>55,591</u>	<u>39,257</u>
	<u>139,570</u>	<u>80,924</u>

Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable monthly in advance by the tenants. Other trade customers settle their accounts with a range of credit periods of 30 to 90 days. The aged analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within 30 days	9,569	10,096
Between 31 days to 90 days	15,263	11,949
Over 90 days	4,524	8,618
	<u>29,356</u>	<u>30,663</u>

8. TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade payables	7,831	6,283
Construction costs and retention payables	205,612	168,933
Deposits received and receipt in advance in respect of rental of investment properties	139,169	124,238
Deposits received (<i>note</i>)	164,718	170,523
Advance lease payments	3,637	4,330
Other payables	31,113	23,143
	<u>552,080</u>	497,450
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(443,531)</u>	<u>(399,334)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>108,549</u>	<u>98,116</u>

note: The amounts represent refundable deposits received from subcontractors for the purpose of securing their performance in respect of construction contracts in favour of the Group.

The following is an aged analysis of trade payables based on the invoice date:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within 30 days	<u>7,831</u>	<u>6,283</u>

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim cash dividend for 2021 of HK\$0.18 per share (2020: HK\$0.15 per share), payable on Friday, 10 September 2021 to the Company's shareholders registered on Thursday, 2 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 31 August 2021 to Thursday, 2 September 2021, both days inclusive. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged for registration with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 30 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 30 June 2021, the Group recorded unaudited consolidated profit of approximately HK\$237.3 million, comparing to that of 2020 amounted to approximately HK\$21.2 million, representing an increase of approximately HK\$216.1 million. The change was mainly due to the increase of fair value changes of investment properties and the net exchange gains recorded in the period.

Revenue mainly referred to the revenues generated from property investment, property development, property management, treasury investment, trading & manufacturing and hotel operation.

Other income referred to various miscellaneous incomes other than the main revenue.

Other gains and losses mainly comprised of gain on changes in fair value of investment properties and net exchange gains.

Property Investment

Overall Rental Revenue

For the period ended 30 June 2021, the Group recorded gross rental revenue of approximately HK\$149.0 million, decreased by approximately HK\$7.6 million from approximately of HK\$156.6 million in the corresponding period of 2020, representing a decrease of 4.9%.

Overall Occupancies

The Group's overall occupancy from major investment properties maintained at 83% as at 30 June 2021.

HK Properties

Chong Hing Square

Chong Hing Square, located at 601 Nathan Road Mongkok, is a 20-storey ginza-type retail/commercial development offers over 182,000 square feet of retail and commercial space. For the period ended 30 June 2021, Chong Hing Square generated a gross rental revenue of approximately HK\$41.2 million, decreased by HK\$5.8 million from approximately of HK\$47.0 million in 2020. The occupancy was 82% as at 30 June 2021.

Chong Hing Bank Centre

Chong Hing Bank Centre, located at 24 Des Voeux Road Central, is a 26-storey Grade A office building. For the period ended 30 June 2021, Chong Hing Bank Centre generated rental revenue of approximately HK\$47.9 million. The Company, having retained several floors for the Group's use, had entered into another 5-year fixed lease with Chong Hing Bank Limited at a monthly rental of HK\$7.98 million from HK\$5.66 million, representing an increase of 41%. The management regarded the tenancy would bring stable and good rental return to the Group.

The Rockpool

The Rockpool (formerly known as Chong Yip Centre) is located at 402–404 Des Voeux Road West. In 2019, the management had decided to revamp the mall for gaining higher rental return. The modern and chic concepts bringing trendy retails and F&B outlets would be the main theme of this new shopping mall. After renovation, the management expected this would be one of the young and popular malls in the western district.

The construction of this shopping mall was practically completed in Q1 2021 and inspected by the Building Departments. Leasing team is actively seeking prospective tenants and scheduled to be in full operation in Q4 2021. F&B will be the major tenants in The Rockpool, the other potential tenants will be retail, telecom, personal care and beauty, life-style, supermarket, grocery/wine cellar and convenient store.

Fairview Court

Fairview Court is located at 94 Repulse Bay Road. The Group owns 5 units, each of areas over 4,100 square feet, luxury apartment on a low-rise building. For the period ended 30 June 2021, Fairview Court recorded rental revenue of approximately HK\$3.5 million, it records net rental revenue of HK\$1.9 million after rental elimination. This property recorded 100% occupancy as at 30 June 2021.

PRC Properties

Chong Hing Finance Center, Shanghai

The Group's mainland flagship property located at 288 Nanjing Road West in Huang Pu District of Shanghai is a 36-storey Grade A commercial building which commands a strategic location and enviable view over The People's Square just across the street. With a total floor area of over 516,000 square feet of office and commercial spaces and 198 carparks, this property was approximately 76% let in terms of office space and 100% let in terms of retail space as at period end. For the period ended 30 June 2021, this office building, after taking exchange translation, generated a rental revenue of approximately HK\$52.8 million, representing a decrease of 4.3%.

The management will continue to improve the office's occupancy despite the oversupply of office building in Puxi district and the continuing adverse effect to the Chinese economy caused by the unprecedented COVID-19 pandemic.

Property Development

PRC

The Grand Riviera, Foshan

This comprehensive development situated at 1 Guilong Road, Luocun in the Nanhai District of Foshan, is conveniently located within half an hour's drive from the Foshan financial district and within 5 minutes' drive from the new Foshan West Station.

Development Status

This Foshan residential project is a comprehensive development and is developed by phases. The whole project, including Phase 1 to Phase 4, was completed and handover for occupation in September 2018.

Financial and Sale Results

For the period ended 30 June 2021, the Group recorded sale revenue of approximately HK\$113.5 million of which 32 residential units and 144 carpark spaces were sold and recognized under consolidated statement of profit or loss.

As at 30 June 2021, a total of 5,203 residential units out of total 5,264 units (representing 99%) and a total of 1,815 carpark units out of total 4,670 units (representing 39%) were successfully sold out fetching accumulated sale proceeds of approximately HK\$6 billion. The management forecasted that further sale proceeds of approximately HK\$1 billion would be received if all unsold properties including residential units, carpark spaces and retail shops were sold under current market conditions.

Elegance Garden, Sanshui

In 2019, the Group, through its indirectly wholly-owned subsidiary, Top New Investment Limited, acquired a piece of land at Sanshui District of Foshan by open land auction for a cash consideration of RMB775.5 million. The site area of the land is approximately 33,670 square meters with plot ratio of 3.2 times, making the accommodation value of RMB7,198 per square meter. The management regarded the consideration for the purchased land is fair and reasonable having taken into account the minimum bid conditions set by Foshan Public Resources Center, current market value, as well as the location and development potential of the vicinity area.

Location and vicinity

The development is located at the heart of Bei Jiang Xin Qu. It is surrounded by the well-developed facilities, such as Beijiang Primary School, Xindongli Center, Beijiang Feng Huang Park, Sanshui Renmin Hospital and Sanshui Bus Stop. It takes 15 minutes' drive to the Guangzhou and Foshan High Speed Railway Station and 20 minutes' drive to Sanshui High Speed Railway South Station only. The development is just 2.1 miles away from the Sanshui Metro Route 4, it is closely connected to the Guangzhou and Foshan cities.

Project design

This residential development named Elegance Garden, consists of 9 blocks 31-storey residential apartments with three typical sizes of 88, 98 and 108 square meters respectively. Given the plot ratio of 3.2 and green area ratio of 30%, it provides a total of 1,084 residential units with developable areas of over 105,000 square meters. If including the retail and commercial area of approximately 1,315 square meters on the ground floor and 918 carpark spaces mainly built at basement level, the total developable area is over 143,000 square meters.

Construction

Work of Excavation and Lateral Support (ELS) was completed on April 2021. Barring any unforeseen circumstances, the whole project would be scheduled to complete and hand over for occupation in Q4 2023. As at the date of board meeting, major contracts including basement and superstructure, lift, M&E, landscape and architect designs were awarded to different contractors and institutes. The basement work is almost completed and superstructure work of Block 1–Block 9 main building has been commenced. The construction progress was on schedule.

Marketing

Marketing team had prepared market proposal and related marketing activities will be launched along with the pre-sale of the property.

HOTEL OPERATIONS

PRC

Budget Hotel

Since 2008, the Group started to operate budget hotel business in Shanghai, Beijing and Guangzhou. All of these budget hotels are managed by and under the brand name of Hanting. Due to the restructuring of the business strategy, the Group had sold the budgeted hotels at Shanghai and Beijing in 2016, only the hotel in Guangzhou remains in operation.

For the period ended 30 June 2021, the budget hotel revenue increased from approximately of HK\$2.4 million in 2020 to approximately HK\$4.8 million in 2021. As China strengthens its control over the spread of COVID-19, business activities resumed quickly. As a result, the occupancy of GZ's hotel was recovered to 85% in April 2021. However, Guangzhou has seen cases of the delta COVID variant since May 2021, and several cities in GZ & Foshan were locked down accordingly, the hotel business was again seriously affected.

Hong Kong

ONE-EIGHT-ONE Hotel & Serviced Residences

The previous office building (formerly known as Western Harbour Center), located at 181-183 Connaught Road West, was converted into a 183-room hotel and serviced residences. The hotel was in full operation after obtaining the hotel license on 2 December 2019. Apart from providing 183 guest rooms (room size ranging from 330 sq.ft. to 1,080 sq.ft.), other facilities include two restaurants, Quay Club (executive lounge), gym room, multi-functions room and a wide range of services and amenities.

For the period ended 30 June 2021, the hotel and F&B business recorded a gross revenue of HK\$41.4 million, increased by approximately of HK\$30.3 million, from approximately of HK\$11.1 million in the corresponding period of 2020. If adding depreciation of HK\$30.1 million, the hotel and F&B business recorded a net loss of HK\$16.5 million against the net loss of HK\$50.8 million for the corresponding period of 2020.

The hotel has become one of the designated quarantine hotels to accommodate the quarantine guests arriving in Hong Kong since December 2020. Due to the quality service and good dining experience, the hotel became one of the popular hotel brands and its operating revenue has been improving significantly in 2021. With the aid of improving occupancy and average daily rate ADR, the hotel business recorded positive operating revenue and EBITDA throughout the period. The management has confident in the hotel business in the second half of 2021.

SHARE OF RESULTS OF JOINT VENTURES

Since the year of 2017, the Group teamed up with the same joint venture partner, to acquire three warehouses in Japan and one manufacturing plant in Australia. For the period ended 30 June 2021, all these warehouses and manufacturing plant continued to maintain a stable rental revenue with 100% occupancy.

The manufacturing plant located at Adelaide was acquired at AUD11.5 million in 2018, after holding the investment for 2.5 years, the plant was disposed to a third party at a cash consideration of AUD18.8 million, representing an increase of 63%. The sales contract was signed in December 2020 and the transaction was completed in early 2021.

In February 2021, the Group participated in an office investment in Brisbane, Australia by subscribing 15% of a property trust which acquired a 21-storey fully rebuilt grade A office building located at 310 Ann Street, Brisbane. The trust was managed by the property and investment manager of AsheMorgan.

The office building, with 198,000 sq. ft. lettable area, was fully let to two major tenants, the Queensland Government and the Allianz group with an annual rental growth of 3.5–3.75% during the 7.5 years unexpired lease.

The purchase price of the property is AUD210 million. Given the stable rental return and the debt leverage investment structure, the management considered the investment would provide an attractive investment return to the Group.

The management regarded all the joint venture investment would bring the Group's a stable rental return together with a long term appreciation of properties. The share of results of joint ventures of approximately HK\$6.4 million, under equity accounting, represented the share of net asset value of the investment which mainly included the annual rental revenue and valuation gain on investment properties.

Overseas Investment

Share acquisition

The Group decided to invest in a hotel property at Koh Samui, Thailand, through an acquisition of entire issued share capital in Choengmon Real Estate Company Limited, a company incorporated in Thailand.

Luxury Beachfront Resort

The hotel is located at the north-eastern part of Samui Island and is situated along the Choengmon beach. The land is freehold land title with land areas of 29,588 sq.m. The hotel consists 21 pool villas and 117 premium rooms and suites with total gross floor area over 22,098 sq.m. Other amenities include the main reception building, lobby bar, lobby lounge, an all-day dining restaurant, a beachfront specialty restaurant, swimming pool, spa, fitness centre and yoga studio, kids club and multi-purpose space to accommodate weddings or executive meetings.

Purchase Consideration

On 1 June 2021, the Group entered into the Share Purchase Agreement with the Sellers at the purchase price of THB2,480 million, approximately HK\$620 million, (inclusive of the shareholder loans and the bank loan and subject to adjustment). 20% deposit in the amount of THB 496 million, approximately HK\$123.5 million, was paid to the Sellers on the date of signing the Share Purchase Agreement. The remaining balance will be settled upon completion. The completion of the transaction is no later than 18 months from the date of signing the Share Purchase Agreement on 1 June 2021.

Investment Deliberation

The management considers that the acquisition is a good investment opportunity for the Group to continue its strategies to diversify investments and to enhance its exposure and experience in international hospitality, with a view of optimism towards tourism in Thailand post-pandemic, which is beneficial for the continuous and stable growth of the Group's property development and investment business.

THE CORPORATE GOVERNANCE CODE

During the period under review, the Company has substantially complied with the provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), saved for the following.

Chairman and Managing Director: Clear Division of Responsibilities

The roles of Chairman and the Managing Director of the Company have not been segregated as required by the code provision A.2.1 of the Code. The Board considers this arrangement is in the best interest of the Company that by nature of the Group's business which requires considerable market expertise and Mr. Liu Lit Chi, with his profound expertise in the property and banking industry, shall continue in his dual capacity as the Chairman and Managing Director.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below is the change of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2020 Annual Report:

Directors' Updated Information

Mr. Cheng Yuk Wo, an Independent Non-executive Director of the Company, has resigned from the position of an Independent Non-executive Director of Goldbond Group Holdings Limited (Stock Code: 172) with effect from 2 August 2021. The listing of Goldbond Group Holdings Limited has been cancelled by The Stock Exchange of Hong Kong Limited on the same date.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

All directors have confirmed that they have complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2021, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares of the Company.

REVIEW OF UNAUDITED INTERIM FINANCIAL REPORT

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2021 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review report is issued.

PUBLICATION OF RESULTS ON THE WEBSITE

This results announcement, containing the relevant information required by the Listing Rules, is published on the website of the HKExnews (www.hkexnews.hk) and the website of the Company (www.lchi.com.hk). The Company’s interim report for 2021 will be dispatched to the shareholders of the Company and available on the above websites on or about 27 August 2021.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Executive Directors: Mr. Liu Lit Chi (Chairman, Managing Director and Chief Executive Officer), Mr. Liu Kam Fai, Winston (Deputy Managing Director), and Mr. Lee Wai Hung; Non-executive Director: Mr. Kho Eng Tjoan, Christopher; and Independent Non-executive Directors: Dr. Cheng Mo Chi, Moses, Mr. Au Kam Yuen, Arthur, Dr. Ma Hung Ming, John, Mr. Cheng Yuk Wo and Mr. Tong, Tsun Sum Eric.

By Order of the Board
Liu Chong Hing Investment Limited
Liu Lit Chi
*Chairman, Managing Director
and Chief Executive Officer*

Hong Kong, 5 August 2021