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CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

CHAIRMAN STATEMENT

RESULTS

I herewith announce that the unaudited consolidated loss after taxation for the six months ended 31 December 2022 of our Group is HK\$18,000,000 as compared with 2021: HK\$115,334,000 as set out in the unaudited condensed consolidated income statement which has been reviewed by the Company's audit committee.

The Directors resolved the payment of an interim dividend of HK1.75 cents per share as compared the interim dividend of 2021: HK1.5 cents.

REVIEW OF OPERATIONS

Hong Kong Properties

The fifth wave of Covid-19 infections, the worsening global economic environment and higher financing costs weighted on Hong Kong's economic performance in 2022, dragging the city into its second recession in three years. Economic and pandemic-dampened local consumption demand over the year, although a mild improvement was seen in second and third quarter of 2022 following the gradual relaxation of social distancing regulations and support from the second phrase of Consumption Voucher Scheme.

The progress of our projects is as follows:

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

Phase 1 has been obtained Occupation Permit which consisted of 49 residential units, out of which 10 units are sold and 20 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. The whole development provides 70 no. of car parks. The Occupation Permit of Phase 2 was obtained on 28 July 2020. The application for Certificate of Compliance of the whole development was submitted in August 2020. Our architect and our staff have closely following up with the government officers but the issuance of the Certificate of Compliance is still pending.

Villa Cecil Phase II, 192 Victoria Road, Pokfulam

The occupancy rate maintained at 50%.

Villa Cecil Phase III, 216 Victoria Road, Pokfulam

The occupancy rate of the two blocks has reached 60% which contributed good rental income to the Group.

Cheuk Nang Lookout, 30 Severn Road, The Peak

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

New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau

Over 70% of the villas in Phase 1 are leased out. The construction work of Phase 2 and the overall site improvement work are in progress and nearly completed.

China Properties

China has abandoned the "zero Covid" policy in the fourth quarter of 2022 and the re-open of the borders between China, Hong Kong and Macau in January 2023. We believe the demand for properties in The Greater China Areas and its surroundings will gradually become more steady. China authority has announced the industrial PMI index raised 3.1% in January. The non-industry PMI index however raised more up to 12.8%.

Cheuk Nang Garden

Longhwa, Shenzhen

There is no sale transaction of Cheuk Nang Garden was recorded during the year 2022. The good news is that a new sales campaign will be launched again during 2023 in order to start new sales profit for our Group.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The construction of the development is completed and 規劃驗收 was approved.

Macau Properties

The Macau Government has awarded six new Gambling Licenses in December 2022 which will come into effective on 1 January 2023. With the new gambling operators, gambling business will bring new feature to the Macau tourism industry. Following the fully re-open of the border between Hong Kong and Macau together with the Chinese New Year in January 2023, the tourism industry boosted upward the atmosphere of the entire society.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The company has submitted an application for land renewal through a local lawyer in Macau in April 2021. According to the lawyer's report, until now, the DSSOPT is still making a proposal to suggest the director will submit to the Chief Executive to grant the contract for change of land use and at the same time grant lease renewal for ten years. The Public Works Bureau has confirmed that the change of land use is consistent with the use stipulated in the "Macau Special Administrative Region Urban Master Plan".

Malaysia Properties

Despite the Covid-19 pandemic, the reopening of the international border stabilized the economy and Malaysia enjoyed steady economic growth in 2022. While the expectation of interest rates hikes by US Federal Reserve in 2022 has caused concern for emerging markets such as Malaysia, the Ringgit is expected to remain robust and is well-positioned to withstand rate hikes due to the sizeable trade and current account surpluses, and strong projected economic growth.

Phase I "Parkview"

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

The occupancy of the serviced apartments currently is 50%, we will upgrade the property in order to improve the occupancy.

Phase II “Cecil Central Residence”

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

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

INVESTMENT IN BONDS AND HONG KONG STOCK MARKET

The investment in Bond market as at 31 December 2022 was HK\$135,402,000. During the period, a total of HK\$1,211,000 was redeemed and no Bond was purchased.

The market price of our investment in the Hong Kong stocks as at 31 December 2022 was HK\$42,667,000. During the period, a total of HK\$1,007,000 stock was purchased and no stock was sold.

OUTLOOK

The much-awaited resumption of quarantine-free cross-border travel between Hong Kong and mainland China commenced in January 2023 which brought benefits to the recovery of the economy, especially the retail sector. This year, following the Hong Kong Government’s firm decision to boost the tourism industry, which will benefit the society as a whole, we can expect the pressure on capital and rental values of real estates will ease.

Although the most difficult time may gradually passed, we are still cautious to the upcoming increase in interest rates which will remain pressure on the property market.

DIRECTORS AND STAFF

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

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

By order of the Board
CECIL CHAO SZE TSUNG
Executive Chairman

Hong Kong, 28 February 2023

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

Condensed Consolidated Income Statement

For the six months ended 31 December 2022

		Six months ended	
		31 December	
	<i>Notes</i>	2022	2021
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	3	25,199	31,610
Direct costs		<u>(27,088)</u>	<u>(41,370)</u>
Gross loss		(1,889)	(9,760)
Other income, net	4	11,941	28,088
Change in fair value of investment properties		7,452	(100,214)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(3,196)	(546)
Administrative expenses		(27,269)	(27,690)
Finance costs	5a	<u>(5,422)</u>	<u>(4,423)</u>
Loss before income tax	5	(18,383)	(114,545)
Income tax credit/(expense)	6	<u>383</u>	<u>(789)</u>
Loss for the period		<u>(18,000)</u>	<u>(115,334)</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(17,980)	(115,546)
Non-controlling interests		<u>(20)</u>	<u>212</u>
		<u>(18,000)</u>	<u>(115,334)</u>
Loss per share for loss attributable to the owners of the Company during the period			
Basic	8	<u>HK\$(0.03)</u>	<u>HK\$(0.18)</u>
Diluted		<u>HK\$(0.03)</u>	<u>HK\$(0.18)</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2022

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(18,000)	(115,334)
Other comprehensive (expense)/income for the period, net of tax		
Item that will be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income (“FVTOCI”) (recycling)	(19,111)	(12,226)
Exchange (loss)/gain on translation of financial statements of foreign operations	(15,623)	212,348
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of land and buildings held for own use	3,316	(1,086)
Income tax relating to components of other comprehensive income	(547)	179
	<u>(31,965)</u>	<u>199,215</u>
Other comprehensive (expense)/income for the period, net of tax		
	<u>(31,965)</u>	<u>199,215</u>
Total comprehensive (expense)/income for the period	<u>(49,965)</u>	<u>83,881</u>
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(49,945)	83,669
Non-controlling interests	(20)	212
	<u>(49,965)</u>	<u>83,881</u>

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

		At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	6,745,634	6,739,921
Property, plant and equipment		46,379	44,537
Other non-current asset		950	950
Other financial assets	10	135,402	148,408
Deferred tax assets		19,478	17,952
		<u>6,947,843</u>	<u>6,951,768</u>
Current assets			
Properties under development for sale	9	1,553,960	1,562,250
Completed properties for sale		369,419	389,719
Other financial assets	10	–	7,316
Financial assets at fair value through profit or loss	11	42,667	44,856
Trade and other receivables	12	28,138	26,346
Bank balances and cash	13	329,686	367,383
		<u>2,323,870</u>	<u>2,397,870</u>
Current liabilities			
Other payables		93,423	131,095
Contract liabilities	16	138,371	155,512
Amounts due to non-controlling shareholders		239,990	239,990
Amount due to a related company		1,501	1,469
Interest-bearing borrowings		902,230	878,627
Advance from a director		158,756	143,206
Lease liabilities	15	2,225	2,219
Tax payable		18,417	18,411
		<u>1,554,913</u>	<u>1,570,529</u>
Net current assets		<u>768,957</u>	<u>827,341</u>

		At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Total assets less current liabilities		7,716,800	7,779,109
Non-current liabilities			
Lease liabilities	15	1,844	2,956
Deferred tax liabilities		909,432	907,610
		911,276	910,566
Net assets		6,805,524	6,868,543
EQUITY			
Share capital	14	2,468,985	2,468,985
Reserves		4,159,495	4,222,494
Equity attributable to the owners of the Company		6,628,480	6,691,479
Non-controlling interests		177,044	177,064
Total equity		6,805,524	6,868,543

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(60,982)	(27,588)
Investing activities		
Dividend received	5,941	560
Interest received	4,540	26,921
Additions of investment properties	(989)	(4,264)
Proceeds from redemption of financial assets at FVTOCI	1,211	–
Other investing activities	751	139
Net cash generated from investing activities	11,454	23,356
Financing activities		
Advance from a director	15,550	17,110
Dividend paid	(13,054)	(19,580)
Bank loans raised	34,499	–
Repayment of bonds	(10,896)	–
Other financing activities	(1,099)	(1,202)
Net cash generated from/(used in) financing activities	25,000	(3,672)
Net decrease in cash and cash equivalents	(24,528)	(7,904)
Cash and cash equivalents at 1 July	366,472	1,986,635
Effect of foreign exchange rate changes, on cash held	(12,418)	4,763
Cash and cash equivalents at 31 December, represented by cash at bank	329,526	1,983,494

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

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

Equity attributable to the owners of the Company

	Share capital <i>HK\$'000</i> (Unaudited)	Exchange reserve* <i>HK\$'000</i> (Unaudited)	Property revaluation reserve* <i>HK\$'000</i> (Unaudited)	Financial assets at FVTOCI reserve (recycling)* <i>HK\$'000</i> (Unaudited)	Retained profits* <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Non- controlling interests <i>HK\$'000</i> (Unaudited)	Total equity <i>HK\$'000</i> (Unaudited)
Balance at 1 July 2022	2,468,985	(296,995)	30,348	(17,759)	4,506,900	6,691,479	177,064	6,868,543
Loss for the period	-	-	-	-	(17,980)	(17,980)	(20)	(18,000)
Other comprehensive income/(expenses) for the period								
Exchange gain on translation of financial statements of foreign operations	-	(15,623)	-	-	-	(15,623)	-	(15,623)
Change in fair value of financial assets at FVTOCI	-	-	-	(19,111)	-	(19,111)	-	(19,111)
Change in fair value of land and buildings held for own use	-	-	3,316	-	-	3,316	-	3,316
Income tax relating to components of other comprehensive income	-	-	(547)	-	-	(547)	-	(547)
Total comprehensive income/(expense) for the period	-	(15,623)	2,769	(19,111)	(17,980)	(49,945)	(20)	(49,965)
2022 final dividend approved and paid (Note 7)	-	-	-	-	(13,054)	(13,054)	-	(13,054)
Balance at 31 December 2022	2,468,985	(312,618)	33,117	(36,870)	4,475,866	6,628,480	177,044	6,805,524

* These reserve accounts comprise the Group's reserves of HK\$4,159,495,000 (As at 30 June 2022(Audited): HK\$4,222,494,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 28 February 2023, and have been reviewed by the Company’s Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2022, except for the adoption of new or amended HKFRSs effective on or after 1 July 2022 as disclosed in Note 2 and the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2022.

The financial information relating to the financial year ended 30 June 2022 that is included in the interim financial statements for the six months ended 31 December 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

2. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning on or after 1 July 2022

The condensed consolidated interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2022, except for the adoption of the following new and amended HKFRs effective as of 1 July 2022. The Group has not early adopted any other standards, interpretation or amendment that has been issued but not yet effective.

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020

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

(b) Issued but not yet effective HKFRSs

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

3. SEGMENT INFORMATION

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

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

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

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

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

3. SEGMENT INFORMATION (Continued)

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

For the six months ended 31 December 2022 (Unaudited)

	Property sales HK\$'000	Property rental HK\$'000	Estate management HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
From external customers	-	22,182	3,017	-	25,199
Inter-segment revenue	-	420	-	-	420
Reportable segment revenue	-	22,602	3,017	-	25,619
Reportable segment (loss)/profit	(18,068)	23,222	543	911	6,608
Other information:					
Depreciation or property, plant and equipment	3	238	30	-	271
Depreciation of right-of-use assets	-	367	1,062	-	1,429
Income tax credit/(expense)	1,661	(1,278)	-	-	383
Increase in fair value of investment properties	-	7,452	-	-	7,452
Decrease in fair value of financial assets at FVTPL	-	-	-	(3,196)	(3,196)
As at 31 December 2022 (Unaudited)					
Reportable segment assets	2,724,279	6,010,944	8,405	42,666	8,786,294
Reportable segment liabilities	204,170	261,376	6,089	5,814	447,448

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2021 (Unaudited)

	Property sales <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	–	25,739	5,871	–	31,610
Inter-segment revenue	–	210	–	–	210
Reportable segment revenue	–	25,949	5,871	–	31,820
Reportable segment (loss)/profit	(31,428)	(81,853)	1,165	14	(112,102)
Other information:					
Depreciation or property, plant and equipment	13	310	32	–	355
Depreciation of right-of-use assets	–	362	1,062	–	1,424
Income tax expense	774	15	–	–	789
Decrease in fair value of investment properties	–	(100,214)	–	–	(100,214)
Decrease in fair value of financial assets at FVTPL	–	–	–	(546)	(546)
As at 31 December 2021 (Unaudited)					
Reportable segment assets	2,938,940	5,935,285	9,228	37,551	8,921,004
Reportable segment liabilities	356,896	263,418	6,883	4,743	631,940

3. SEGMENT INFORMATION (Continued)

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

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Property rental	22,182	25,739
Estate management	3,017	5,871
	<u>25,199</u>	<u>31,610</u>

Disaggregation of revenue from contracts with customers

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

	Six months ended	
	31 December 2022	
	Property	Estate
	rental	management
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segments	(Unaudited)	(Unaudited)
Geographical markets		
PRC	1,928	2,425
Hong Kong	19,854	592
Malaysia	400	–
	<u>22,182</u>	<u>3,017</u>
Timing of revenue recognitions under HKFRS 15 from external customers		
At a point in time	–	3,017
Rental income not in the scope of HKFRS 15	<u>22,182</u>	<u>–</u>
	<u>22,182</u>	<u>3,017</u>

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2021 (Unaudited)

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

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

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Reportable segment profit/(loss)	6,608	(112,102)
Unallocated corporate income	5,860	27,528
Unallocated corporate expenses	(25,429)	(25,548)
Finance costs	<u>(5,422)</u>	<u>(4,423)</u>
Loss before income tax of the Group	<u>(18,383)</u>	<u>(114,545)</u>

4. OTHER INCOME, NET

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend income from listed equity investments	5,941	560
Interest received	5,212	26,818
Sundry income	788	710
	<u>11,941</u>	<u>28,088</u>

5. LOSS BEFORE INCOME TAX

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

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest charges on:		
Bank loans	13,551	1,192
Advances from a director	4,562	3,480
Other incidental borrowing costs	394	2,420
Bonds	525	801
	<u>19,032</u>	<u>7,893</u>
Total finance costs	19,032	7,893
Less: Interest capitalised into investment properties and properties under development for sale	<u>(13,610)</u>	<u>(3,470)</u>
	5,422	4,423
(b) Other items		
Depreciation	1,700	1,779
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,039	11,748
Contribution to defined contribution plans	336	396
	<u>12,075</u>	<u>13,923</u>

6. INCOME TAX (CREDIT)/EXPENSE

No Hong Kong Profits Tax has been provided in the condensed consolidated interim financial statements as the Group has no assessable profit in Hong Kong for the six months ended 31 December 2022 (2021: Nil).

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

The taxation (credit)/charge is made up as follows:

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Overseas		
PRC enterprise income tax	1,282	(56,519)
PRC land appreciation tax	–	57,308
	<u>1,282</u>	<u>789</u>
Deferred taxation	<u>(1,665)</u>	<u>–</u>
Total income tax (credit)/expense	<u><u>(383)</u></u>	<u><u>789</u></u>

7. DIVIDENDS

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend declared and paid of HK2.0 cents (2021: HK3.0 cents) per ordinary share	13,054	19,580
Proposed interim dividend of HK1.75 cents (2021: HK1.5 cents) per ordinary share	<u>11,422</u>	<u>9,790</u>
	<u><u>24,476</u></u>	<u><u>29,370</u></u>

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

8. LOSS PER SHARE

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

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(17,980)</u>	<u>(115,546)</u>

Number of shares

	Six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>652,676,781</u>	<u>652,676,781</u>

Diluted loss per share is the same as basic loss per share for six months ended 31 December 2022 as there was no potential ordinary shares outstanding as at 31 December 2022.

9. INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

During the six months ended 31 December 2022, capital expenditure on additions of the investment properties was HK\$989,000 (31 December 2021: HK\$4,264,000), on properties under development was HK\$3,306,000 (31 December 2021: HK\$31,637,000).

The valuations of investment properties carries at fair value were updated at 31 December 2022 by the Directors using the same valuation techniques as were used by the independent valuers when carrying out the 31 December 2021 valuations. As a result of the update, a net gain on fair value change of HK\$7,452,000 (31 December 2021: net loss on fair value change of HK\$100,214,000) has been recognised in the condensed consolidated income statement.

During the six months ended 31 December 2022 and 31 December 2021, there was no disposal of investment properties.

10. OTHER FINANCIAL ASSETS

Other financial assets included the following investment:

	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
Non-current assets		
Financial assets at FVTOCI:		
Perpetual notes, listed in Hong Kong (<i>Note (a)</i>)	102,939	115,050
Perpetual notes, listed outside Hong Kong (<i>Note (b)</i>)	3,761	5,690
Debentures, listed in Hong Kong (<i>Note (c)</i>)	2,825	3,303
Debentures, listed outside Hong Kong (<i>Note (d)</i>)	31,071	29,559
Less: Impairment	<u>(5,194)</u>	<u>(5,194)</u>
	<u>135,402</u>	<u>148,408</u>
Current assets		
Financial assets at FVTOCI:		
Debentures, listed outside Hong Kong (<i>Note (d)</i>)	13,185	20,501
Less: Impairment	<u>(13,185)</u>	<u>(13,185)</u>
	<u>–</u>	<u>7,316</u>
	<u>135,402</u>	<u>155,724</u>

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1 July 2021	153,723	18,185	3,303	175,211
Additions				
Redemption	(2,087)	–	–	(2,087)
Change in fair value	979	–	–	979
Transfer from Stage 2 to Stage 3	<u>–</u>	<u>(18,185)</u>	<u>18,185</u>	<u>–</u>
At 30 June 2022	<u>152,615</u>	<u>–</u>	<u>21,488</u>	<u>174,103</u>
Redemption	(1,211)	–	–	(1,211)
Change in fair value	<u>(19,111)</u>	<u>–</u>	<u>–</u>	<u>(19,111)</u>
At 31 December 2022	<u>132,293</u>	<u>–</u>	<u>21,488</u>	<u>153,781</u>

10. OTHER FINANCIAL ASSETS (Continued)

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

	At 31 December 2022 <i>HK\$'000</i>	At 30 June 2022 <i>HK\$'000</i>
Stage 2		
At the beginning of the reporting period	–	11,000
Transfer to stage 3	–	(11,000)
	<hr/>	<hr/>
At the end of the reporting period	–	–
	<hr/> <hr/>	<hr/> <hr/>
	At 31 December 2022 <i>HK\$'000</i>	At 30 June 2022 <i>HK\$'000</i>
Stage 3		
At the beginning of the reporting period	18,379	3,000
Reversal of impairment loss	–	(2,806)
Increase in impairment loss recognised	–	7,185
Transfer from stage 2	–	11,000
	<hr/>	<hr/>
At the end of the reporting period	18,379	18,379
	<hr/> <hr/>	<hr/> <hr/>

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

Note:

- (a) The Group has investment in perpetual notes with principal amounts ranging from US\$500,000 to US\$10,000,000 listed in Hong Kong without fixed maturity date at floating rate of 7.75% with reset rate on reset date ranging from 5.72% plus mid-market swap rate and fixed rates ranging from 4.45% to 6.50% per annum, payable semi-annually.
- (b) The Group has investments in two perpetual notes with principal amount of US\$240,000 and US\$500,000 listed outside Hong Kong without fixed maturity date at a coupon rate ranging from 5.25% to 6.25% per annum, payable semi-annually.
- (c) The Group has investment in one listed debenture with principal amounts of US\$1,000,000 listed in Hong Kong with maturity dates of 31 January 2028 at a fixed coupon rates of 6.50% per annum, payable semi-annually. During the year ended 30 June 2021, there was a default of interest payment by the debenture issuer. In the opinion of the directors, the credit quality of this debenture deteriorated significantly and an impairment loss of HK\$3,000,000 was recognised accordingly. During the year ended 30 June 2022, the debenture issuer completed restructuring and announced the settlement plan. In the opinion of the directors, the credit quality of this debenture improved and a reversal of impairment loss of HK\$2,806,000 was recognised accordingly. In the current interim reporting period, no further impairment or reversal was recognised.

10. OTHER FINANCIAL ASSETS (Continued)

Note: (Continued)

- (d) The Group has investments in eleven listed debentures with principal amounts ranging from US\$500,000 to US\$3,100,000 with fixed maturity date ranging from 20 November 2022 to 17 May 2026 at a coupon rates ranging from 5.5% to 10.5% per annum, payable semi-annually which carry forward from 30 June 2020. During the year ended 30 June 2022, there was defaults of interest payments by one of the debenture issuer. In the opinion of the directors, the credit quality of the respective debentures of approximately HK\$18,185,000 (30 June 2022: HK\$18,185,000) deteriorated significantly and full impairment loss was recognised during the years ended 30 June 2021 and 30 June 2022.
- (e) Financial assets at FVTOCI have been pledged to secure banking facilities granted to the Group (Note 18).

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong (Note (a))	42,667	44,856

Note:

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

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Trade receivables		
From third parties	<u>5,202</u>	<u>3,080</u>
Other receivables		
Prepaid expenses	8,408	7,302
Costs for obtaining contracts	6,772	6,368
Utilities deposits	1,925	2,501
Other deposits	756	693
Other receivables	<u>5,075</u>	<u>6,402</u>
	<u>22,936</u>	<u>23,266</u>
	<u>28,138</u>	<u>26,346</u>

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

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
0 – 30 days	1,832	2,052
31 – 60 days	599	346
61 – 90 days	403	104
Over 90 days	<u>2,368</u>	<u>578</u>
	<u>5,202</u>	<u>3,080</u>

Trade receivables are due upon presentation of invoices.

12. TRADE AND OTHER RECEIVABLES (Continued)

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

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

13. BANK BALANCES AND CASH

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Pledged deposits	160	911
Cash at bank	<u>329,526</u>	<u>366,472</u>
Total	<u><u>329,686</u></u>	<u><u>367,383</u></u>

Included in bank and cash balances of the Group is HK\$320,100,000 (30 June 2022 (Audited): HK\$320,411,000) of bank balances denominated are placed with banks in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the bank balances are not freely transferred.

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

14. SHARE CAPITAL

	Unaudited		Audited	
	As at 31 December 2022		As at 30 June 2022	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Voting ordinary shares:				
At the beginning and the end of the period/year	<u>652,676,781</u>	<u>2,468,985</u>	<u>652,676,781</u>	<u>2,468,985</u>

15. LEASE LIABILITIES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Total minimum lease payments:		
Due within one year	2,263	2,439
Due in the second to fifth years	1,845	2,801
	4,108	5,240
Future finance charges on leases liabilities	(39)	(65)
Present value of leases liabilities	4,069	5,175
Present value of minimum lease payments:		
Due within one year	2,225	2,219
Due in the second to fifth years	1,844	2,056
	4,069	5,175
Less: Portion due within one year included under current liabilities	(2,225)	(2,219)
Portion due after one year included under non-current liabilities	1,844	2,956

During the six months ended 31 December 2022, the total cash outflows for the leases is approximately HK\$1,131,000 (Six months ended 31 December 2021: HK\$1,276,000).

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

16. CONTRACT LIABILITIES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Contract liabilities arising from receipt in advance	<u>138,371</u>	<u>155,512</u>

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

During the six months ended 31 December 2022, the Group's contract liabilities amount to HK\$138,371,000 (30 June 2022: HK\$155,512,000).

Contract liabilities outstanding at the beginning of the year amounting to nil (2021: HK\$269,002,000) have been recognised as revenue during the year.

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

17. COMMITMENTS

(a) Capital commitments

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

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Contracted but not provided for	<u>310,098</u>	<u>307,669</u>

(b) Operating lease commitments – as lessor

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

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Within one year	13,609	18,501
After 1 year but within 2 years	<u>639</u>	<u>3,166</u>
	<u>14,248</u>	<u>21,667</u>

(c) Operating lease commitments – as lessee

At 31 December 2022, the lease commitments for short-term leases (2022: total future minimum lease payments payable by the Group under non-cancellable operating leases) are payable as follows:

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Within one year	<u>42</u>	<u>65</u>

18. PLEDGE OF ASSETS

At 31 December 2022, the Group's total bank borrowings of HK\$902,230,000 (30 June 2022 (Audited): HK\$865,000,000) was secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties held for sales and land and building with carrying values of approximately HK\$3,216,491,000 (30 June 2022 (Audited): HK\$3,274,328,000), HK\$1,539,000 (30 June 2022 (Audited): HK\$1,539,000) and HK\$39,787,000 (30 June 2022 (Audited): HK\$36,840,000) respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of approximately HK\$160,000 (30 June 2022 (Audited): HK\$911,000);
- (iv) mortgages over the shares of certain subsidiaries;
- (v) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties; and
- (vi) financial assets at FVTOCI of approximately HK\$135,402,000 (30 June 2022 (Audited): HK\$155,724,000).

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		Six months ended	
		31 December	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors		8,193	7,166
Interest paid to Dr. Chao Sze-Tsung Cecil Architect and other professional service fees paid to Cecil Chao & Associates Limited ("CCAL") and Cecil Chao Design (Macau) Limited ("CCDML")	(a)	4,562	3,480
Commission paid to Szehope Securities Company Limited	(b)	–	15
	(c)	3	–

19. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

- (a) Dr. Chao Sze Tsung Cecil has provided unsecured advances, to the Group at 1% over prime interest rate in Hong Kong per annum. At 31 December 2022, the advances from Dr. Chao Sze Tsung Cecil amounted to approximately HK\$158,756,000 (30 June 2022 (Audited): HK\$143,206,000) and repayable on demand.
- (b) CCAL and CCDML rendered architectural and related services to the Group on terms agreed between both parties. Dr. Chao Sze Tsung Cecil is the beneficial owner of CCAL and CCDML. These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the reports of the directors.
- (c) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited.
- (d) Other than the above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

20. FAIR VALUE MEASUREMENT

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

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

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

20. FAIR VALUE MEASUREMENT (Continued)

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

		At 31 December 2022 (Unaudited)		
		Level 1	Level 2	Total
		HK\$'000	HK\$'000	HK\$'000
	Notes			
Assets				
Financial assets at FVTPL:				
Listed equity securities held for trading	(a)	42,667	–	42,667
Financial assets at FVTOCI (before ECL):				
Perpetual notes, listed in Hong Kong	(b)	–	102,939	102,939
Perpetual notes, listed outside Hong Kong	(b)	–	3,761	3,761
Debentures, listed in Hong Kong	(b)	–	2,825	2,825
Debentures, listed outside Hong Kong	(b)	–	31,071	31,071
		<u>42,667</u>	<u>140,596</u>	<u>183,263</u>
		<u><u>42,667</u></u>	<u><u>140,596</u></u>	<u><u>183,263</u></u>
		At 30 June 2022 (Audited)		
		Level 1	Level 2	Total
		HK\$'000	HK\$'000	HK\$'000
	Notes			
Assets				
Financial assets at FVTPL:				
Listed equity securities held for trading	(a)	44,856	–	44,856
Financial assets at FVTOCI (before ECL):				
Perpetual notes, listed in Hong Kong	(b)	–	115,050	115,050
Perpetual notes, listed outside Hong Kong	(b)	–	5,690	5,690
Debentures, listed in Hong Kong	(b)	–	3,303	3,303
Debentures, listed outside Hong Kong	(b)	–	50,060	50,060
		<u>44,856</u>	<u>174,103</u>	<u>218,959</u>
		<u><u>44,856</u></u>	<u><u>174,103</u></u>	<u><u>218,959</u></u>

20. FAIR VALUE MEASUREMENT *(Continued)*

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

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

Note

(a) Listed equity securities held for trading

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

(b) Listed debt securities

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

21. CONTINGENT LIABILITIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the six months ended 31 December 2022 (the “Period”) amounted to HK\$25,199,000 (31 December 2021: HK\$31,610,000), a 20.3% decrease as compared with the same period last year. It was mainly due to decrease in rental income during the Period.

For property leasing, the Period recorded a decrease of 13.8% in rental income as compared with the corresponding Period in 2021, amounting HK\$22,182,000 (31 December 2021: HK\$25,739,000).

Gross loss for the Period amounted to HK\$1,889,000, as compared with the corresponding Period in 2021 amounting to HK\$9,760,000.

Other income recorded a decrease of 57.5% to HK\$11,941,000 when compared with the same period last year. The other income for the Period were mainly attributed to dividend income and interest income. Decrease in fair value of financial assets at fair value through profit or loss amounted to HK\$3,196,000 (31 December 2021: HK\$546,000). Increase in fair value of investment properties amounted to HK\$7,452,000 (31 December 2021: Decrease in fair value of HK\$100,214,000). Administrative expenses decreased by 1.5% to HK\$27,269,000 as compared with the same period last year. Finance costs increased by 22.6% to HK\$5,422,000 as compared with the same period last year. The increase was mainly due to increase in interest rate during the Period. Income tax credit for the Period was HK\$383,000 (31 December 2021: income tax expenses of HK\$789,000) which was mainly due to reverse of deferred taxation during Period.

Loss attributable to owners of the Company for the Period was HK\$17,980,000 (31 December 2021: HK\$115,546,000). Basic loss per share was HK\$0.03 (31 December 2021: HK\$0.18) and fully diluted loss per share was HK\$0.03 (31 December 2021: HK\$0.18).

Final dividend of HK2.0 cents for the year ended 30 June 2022 (30 June 2021: HK3.0 cents) was paid during the Period.

The Board resolved an interim dividend for the six months ended 31 December 2022 of HK1.75 cents(31 December 2021: HK1.5 cents) payable in cash. The interim dividend will be dispatched to all shareholders on 17 April 2023.

Total Equity Attributable To The Owners Of The Company

As at 31 December 2022, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$6,628,480,000 (30 June 2022: HK\$6,691,479,000), an decrease of HK\$62,999,000 or 0.9% when compared with 30 June 2022. With the total number of ordinary shares in issue of 652,676,781 as at 31 December 2022 (30 June 2022: 652,676,781 shares), the total equity attributable to the owners of the Company per share was HK\$10.16, representing an decrease of 0.9% compared to HK\$10.25 as at 30 June 2022.

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

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

As at 31 December 2022, the fair value of investment in listed securities and perpetual note and debentures amounted to HK\$42,667,000 and HK\$135,402,000 respectively were classified as the financial assets at fair value through profit or loss and at fair value through other comprehensive income. During the Period, the change in portfolio of listed securities include an acquisition of HK\$1,007,000 and loss on fair value of HK\$3,196,000. The portfolio of perpetual note and debentures was decrease by a redemption of HK\$1,211,000 and negative change in fair value of HK\$19,111,000. The investment in financial assets as at 31 December 2022 represented 1.9% (30 June 2022: 2.1%) of the total assets, which formed part of the Group's cash management activities.

Equity

The number of issued ordinary shares as at 31 December 2022 and 30 June 2022 were 652,676,781 and 652,676,781 respectively.

Debts And Gearing

As at 31 December 2022, the Group's bank and other borrowings amounted to HK\$1,060,986,000 (30 June 2022: HK\$1,021,833,000). Cash and bank balances amounted to HK\$329,686,000 (30 June 2022: HK\$367,383,000) and net borrowing of HK\$731,300,000 (30 June 2022: HK\$654,450,000).

Total debts to equity ratio was 16.0% (30 June 2022: 15.3%) and net debts to equity ratio was 11.0% (30 June 2022: 9.8%).

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

As at 31 December 2022, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,060,986,000, 24.9%, and 75.1% were repayable within 1 year and 2 to 5 years respectively by reference to the repayment on demand clause based on scheduled repayments of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to Hong Kong Interbank Offer Rate ("HIBOR.") and Prime Rate.

Pledge Of Assets

As at 31 December 2022, the Group's investment properties, properties held for sales and land and building with carrying value of HK\$3,216,491,000 (30 June 2022: HK\$3,274,328,000,000), HK\$1,539,000 (30 June 2022: HK\$1,539,000) and HK\$39,787,000 (30 June 2022: HK\$36,840,000) were pledged to secure general banking facilities of the Group.

Finance Costs

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$13,610,000 as compared to HK\$3,470,000 for the same period last year. Interest expenses for the Period amounted to HK\$5,422,000, representing 22.6% increase over the interest expenses of HK\$4,423,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in bank loans interest and other borrowing cost during the Period. The average interest rate over the Period under review was 3.7% (31 December 2021: 1.1%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property Valuation

A property valuation has been carried out by Messrs. Roma Appraisals Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 31 December 2022 and that valuation was used in preparing financial statements for the six months ended 31 December 2022. The Group's investment properties and investment properties under development were valued at HK\$5,034,521,000 and HK\$1,711,113,000 respectively making the total HK\$6,745,634,000 (30 June 2022: investment properties and investment properties under development were valued at HK\$5,052,688,000 and HK\$1,687,233,000 making the total HK\$6,739,921,000). The increase in fair value of approximately HK\$7,452,000 was credited to the income statement for the Period. The Group's land and building held for a director's quarter carried at fair value were valued at HK\$39,787,000 (30 June 2022: HK\$36,840,000). The increase in fair value of HK\$3,587,000 for the Period were recorded in property revaluation reserves. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

RISK MANAGEMENT

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

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2021, the Group employed a total of 78 (as at 31 December 2021: 75) staff.

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

FINANCIAL KEY PERFORMANCE INDICATOR

Profit Attributable To Owners Of The Company and Earnings Per Share

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

INTERNAL CONTROL

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

ENVIRONMENTAL POLICIES AND COMPLIANCE

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

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

KEY RELATIONSHIPS

Relationships with vendors

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

Relationships with customers

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

Relationships with employees

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

Hong Kong Properties

The fifth wave of Covid-19 infections, the worsening global economic environment and higher financing costs weighted on Hong Kong's economic performance in 2022, dragging the city into its second recession in three years. Economic and pandemic-dampened local consumption demand over the year, although a mild improvement was seen in second and third quarter of 2022 following the gradual relaxation of social distancing regulations and support from the second phrase of Consumption Voucher Scheme.

The progress of our projects is as follows:

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

Phase 1 has been obtained Occupation Permit which consisted of 49 residential units, out of which 10 units are sold and 20 units are rented. Phase 2 consisted of 5 deluxe residential villas and Clubhouse Facility. The whole development provides 70 no. of car parks. The Occupation Permit of Phase 2 was obtained on 28 July 2020. The application for Certificate of Compliance of the whole development was submitted in August 2020. Our architect and our staff have closely following up with the government officers but the issuance of the Certificate of Compliance is still pending.

Villa Cecil Phase II, 192 Victoria Road, Pokfulam

The occupancy rate maintained at 50%.

Villa Cecil Phase III, 216 Victoria Road, Pokfulam

The occupancy rate of the two blocks has reached 60% which contributed good rental income to the Group.

Cheuk Nang Lookout, 30 Severn Road, The Peak

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

New Villa Cecil, 33 Cheung Chau Sai Tai Road, Cheung Chau

Over 70% of the villas in Phase 1 are leased out. The construction work of Phase 2 and the overall site improvement work are in progress and nearly completed.

China Properties

China has abandoned the “zero Covid” policy in the fourth quarter of 2022 and the re-open of the borders between China, Hong Kong and Macau in January 2023. We believe the demand for properties in The Greater China Areas and its surroundings will gradually become more steady. China authority has announced the industrial PMI index raised 3.1% in January. The non-industry PMI index however raised more up to 12.8%.

Cheuk Nang Garden

Longhwa, Shenzhen

There is no sale transaction of Cheuk Nang Garden was recorded during the year 2022. The good news is that a new sales campaign will be launched again during 2023 in order to start new sales profit for our Group.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The construction of the development is completed and 規劃驗收 was approved.

Macau Properties

The Macau Government has awarded six new Gambling Licenses in December 2022 which will come into effective on 1 January 2023. With the new gambling operators, gambling business will bring new feature to the Macau tourism industry. Following the fully re-open of the border between Hong Kong and Macau together with the Chinese New Year in January 2023, the tourism industry boosted upward the atmosphere of the entire society.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The company has submitted an application for land renewal through a local lawyer in Macau in April 2021. According to the lawyer’s report, until now, the DSSOPT is still making a proposal to suggest the director will submit to the Chief Executive to grant the contract for change of land use and at the same time grant lease renewal for ten years. The Public Works Bureau has confirmed that the change of land use is consistent with the use stipulated in the “Macau Special Administrative Region Urban Master Plan”.

Malaysia Properties

Despite the Covid-19 pandemic, the reopening of the international border stabilized the economy and Malaysia enjoyed steady economic growth in 2022. While the expectation of interest rates hikes by US Federal Reserve in 2022 has caused concern for emerging markets such as Malaysia, the Ringgit is expected to remain robust and is well-positioned to withstand rate hikes due to the sizeable trade and current account surpluses, and strong projected economic growth.

Phase I “Parkview”

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

The occupancy of the serviced apartments currently is 50%, we will upgrade the property in order to improve the occupancy.

Phase II “Cecil Central Residence”

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

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

INVESTMENT IN BONDS AND HONG KONG STOCK MARKET

The investment in Bond market as at 31 December 2022 was HK\$135,402,000. During the period, a total of HK\$1,211,000 was redeemed and no Bond was purchased.

The market price of our investment in the Hong Kong stocks as at 31 December 2022 was HK\$42,667,000. During the period, a total of HK\$1,007,000 stock was purchased and no stock was sold.

OUTLOOK

The much-awaited resumption of quarantine-free cross-border travel between Hong Kong and mainland China commenced in January 2023 which brought benefits to the recovery of the economy, especially the retail sector. This year, following the Hong Kong Government’s firm decision to boost the tourism industry, which will benefit the society as a whole, we can expect the pressure on capital and rental values of real estates will ease.

Although the most difficult time may gradually passed, we are still cautious to the upcoming increase in interest rates which will remain pressure on the property market.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK1.75 cents (2021: HK1.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 31 March 2023. The interim dividend will be paid on 17 April 2023.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 27 March to 31 March 2023 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the interim dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 March 2023.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2022.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

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

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code; and
- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Company for the six months ended 31 December 2022. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

The interim financial statements for the six months ended 31 December 2022 have not been audited but have been reviewed by the Company's external auditor.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the six months ended 31 December 2022. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

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

At 31 December 2022, the interests and short positions of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

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

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

Save as disclosed above, none of the Directors or their associates had any interest or short position in the shares of the Company or its subsidiaries as at 31 December 2022 that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 28 February 2023

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