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Liu Chong Hing Investment Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 00194)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS

The Directors of Liu Chong Hing Investment Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3		
Contracts with customers		353,624	477,902
Rental income		301,112	305,782
Interest and dividend income		60,504	51,481
		<u>715,240</u>	<u>835,165</u>
Direct costs		(325,509)	(362,268)
		<u>389,731</u>	<u>472,897</u>
Other income		24,818	26,094
Administrative and operating expenses		(257,403)	(235,496)
Other gains and losses		114,226	401,355
Finance costs		(59,240)	(23,521)
Share of results of joint ventures		(24,127)	27,374
		<u>188,005</u>	<u>668,703</u>
Profit before tax			
Income tax expense	4	(99,206)	(248,057)
		<u>88,799</u>	<u>420,646</u>
Profit for the year		<u>88,799</u>	<u>420,646</u>
Profit (loss) for the year attributable to:			
Owners of the Company		86,148	427,302
Non-controlling interests		2,651	(6,656)
		<u>88,799</u>	<u>420,646</u>
Basic earnings per share	5	<u>HK\$0.23</u>	<u>HK\$1.13</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>88,799</u>	<u>420,646</u>
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	(28,015)	192,706
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(445,800)	118,362
Share of other comprehensive (expense) income of joint ventures	<u>(5,358)</u>	<u>105</u>
Other comprehensive (expense) income for the year (net of tax)	<u>(479,173)</u>	<u>311,173</u>
Total comprehensive (expense) income for the year	<u>(390,374)</u>	<u>731,819</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(373,183)	731,828
Non-controlling interests	<u>(17,191)</u>	<u>(9)</u>
	<u>(390,374)</u>	<u>731,819</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		9,480,355	9,525,573
Property, plant and equipment		1,821,467	1,918,134
Right-of-use assets		2,307	5,629
Interests in joint ventures		571,262	429,555
Equity instruments at FVTOCI		275,820	304,639
Deferred tax assets		16,898	18,414
		12,168,109	12,201,944
Current assets			
Properties under development for sale		1,474,233	1,313,819
Properties held for sale		355,918	471,334
Inventories		32,994	35,561
Trade and other receivables	7	148,474	135,526
Financial assets at fair value through profit or loss ("FVTPL")		18,866	17,620
Fixed bank deposits with more than three months to maturity when raised		37,264	132,449
Bank balances and cash		1,596,788	1,875,619
		3,664,537	3,981,928
Current liabilities			
Trade and other payables	8	381,153	458,154
Lease liabilities		2,433	3,253
Contract liabilities		8,401	9,693
Borrowings – due within one year		992,230	563,845
Taxation payable		140,691	186,570
		1,524,908	1,221,515
Net current assets		2,139,629	2,760,413
Total assets less current liabilities		14,307,738	14,962,357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)

	<i>NOTE</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Other payables	8	106,385	107,146
Lease liabilities		71	2,663
Borrowings – due after one year		1,216,090	1,295,377
Deferred tax liabilities		325,203	322,760
		<u>1,647,749</u>	<u>1,727,946</u>
		<u>12,659,989</u>	<u>13,234,411</u>
Equity			
Share capital		381,535	381,535
Reserves		12,217,838	12,765,169
Equity attributable to:			
Owners of the Company		12,599,373	13,146,704
Non-controlling interests		60,616	87,707
Total equity		<u>12,659,989</u>	<u>13,234,411</u>

NOTES:

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is 23/F, Chong Hing Bank Centre, 24 Des Vouex Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries are property investment, property development, property management, treasury investment, trading and manufacturing and hotel operation.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (“the Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Application of amendments to HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these 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 segments identified by the CODM have 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 hotel and food & beverage business

Segment revenue and results

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

	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>
<u>For the year ended 31 December 2022</u>									
Segment revenue	307,031	82,795	40,830	60,504	92,112	153,519	736,791	(21,551)	715,240
Comprising:									
— revenue from customers	301,112	82,795	25,763	60,504	92,112	152,954			
— inter-segment transactions (<i>note</i>)	5,919	-	15,067	-	-	565			
Operating expenses	(137,937)	(87,749)	(29,495)	(34,891)	(87,970)	(201,603)	(579,645)	21,551	(558,094)
Gain on changes in fair value of investment properties	236,530	-	-	-	-	-	236,530	-	236,530
Gain on changes in fair value of financial assets at FVTPL	-	-	-	1,246	-	-	1,246	-	1,246
Loss on disposal of property, plant and equipment	-	-	-	-	-	(6,460)	(6,460)	-	(6,460)
Net exchange gains (losses)	4,024	(40,795)	488	(76,191)	-	(4,616)	(117,090)	-	(117,090)
Segment profit (loss)	<u>409,648</u>	<u>(45,749)</u>	<u>11,823</u>	<u>(49,332)</u>	<u>4,142</u>	<u>(59,160)</u>	<u>271,372</u>	<u>-</u>	<u>271,372</u>
Finance costs									(59,240)
Share of results of joint ventures									<u>(24,127)</u>
Profit before tax									<u>188,005</u>

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

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

	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>
<u>For the year ended 31 December 2021</u>									
Segment revenue	312,826	238,970	36,150	51,481	102,866	114,423	856,716	(21,551)	835,165
Comprising:									
— revenue from customers	305,782	238,970	22,005	51,481	102,866	114,061			
— inter-segment transactions (<i>note</i>)	7,044	—	14,145	—	—	362			
Operating expenses	(136,639)	(167,091)	(26,947)	(33,405)	(96,064)	(133,075)	(593,221)	21,551	(571,670)
Gain on changes in fair value of investment properties	379,142	—	—	—	—	—	379,142	—	379,142
Loss on changes in fair value of financial assets at FVTPL	—	—	—	(2,978)	—	—	(2,978)	—	(2,978)
Gain on changes in fair value of derivative financial instruments	—	—	—	1,720	—	—	1,720	—	1,720
Loss on disposal of property, plant and equipment	—	—	—	—	—	(3,654)	(3,654)	—	(3,654)
Net exchange (losses) gains	(1,355)	12,398	(157)	22,968	—	(6,729)	27,125	—	27,125
Segment profit (loss)	<u>553,974</u>	<u>84,277</u>	<u>9,046</u>	<u>39,786</u>	<u>6,802</u>	<u>(29,035)</u>	<u>664,850</u>	<u>—</u>	<u>664,850</u>
Finance costs									(23,521)
Share of results of joint ventures									<u>27,374</u>
Profit before tax									<u>668,703</u>

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

Segment profit (loss) represents the profit earned by/loss incurred from 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 revenue earned by individual operating segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	6,660	9,165
PRC Enterprise Income Tax	<u>3,757</u>	<u>28,246</u>
	<u>10,417</u>	<u>37,411</u>
Dividend withholding tax	<u>5,136</u>	–
Overprovision in prior years:		
Hong Kong Profits Tax	(148)	(50)
PRC Enterprise Income Tax	<u>(27,199)</u>	<u>(5,281)</u>
	<u>(27,347)</u>	<u>(5,331)</u>
PRC Land Appreciation Tax (“LAT”)	<u>89,996</u>	157,768
Deferred taxation	<u>21,004</u>	<u>58,209</u>
	<u><u>99,206</u></u>	<u><u>248,057</u></u>

Notes:

- (a) The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- (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% (2021: 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 owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$86,148,000 (2021: HK\$427,302,000) and on 378,583,440 (2021: 378,583,440) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue during the years ended 31 December 2022 and 31 December 2021.

6. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend paid for 2022 — HK\$0.18 per share (2021: interim dividend paid for 2021 — HK\$0.18 per share)	68,145	68,145
Final dividend paid for 2021 — HK\$0.28 per share (2021: final dividend paid for 2020 — HK\$0.25 per share)	106,003	94,646
	174,148	162,791

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK\$0.20 per share (2021: final dividend in respect of the year ended 31 December 2021 of HK\$0.28) per share, in an aggregate amount of approximately HK\$75,717,000 (2021: HK\$106,003,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	39,138	37,562
Lease receivables	5,673	11,697
	44,811	49,259
Deposits paid	15,323	10,396
Other receivables and prepayments	42,147	51,664
VAT receivables	46,193	24,207
	148,474	135,526

notes:

- (a) Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent are payable monthly in advance by the tenants. Trade customers or tenants settle their accounts with an average credit period of 30 to 90 days. The aged analysis of trade receivables and lease receivables of approximately HK\$44,811,000 (2021: HK\$49,259,000) presented based on the invoice date at the end of the reporting period is as follows:

	2022	2021
	HK\$'000	HK\$'000
Within 30 days	16,775	15,816
Between 31 days to 90 days	18,677	21,180
Over 90 days	9,359	12,263
	<u>44,811</u>	<u>49,259</u>

- (b) As at 31 December 2022, included in the trade receivable and lease receivables balance are debtors with aggregate carrying amount of HK\$10,620,000 (2021: HK\$14,227,000) which are past due as at the reporting date. Out of the past due balances, debtors with an aggregate carrying amount of approximately HK\$2,906,000 (2021: HK\$7,335,000) were past due and aged over 90 days at the end of reporting period but the Group has not provided for impairment loss. Debtors that were past due but not impaired related to a number of customers that have a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.
- (c) All of the Group's trade receivables and lease receivables are denominated in the functional currency of the individual entities within the Group.

8. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	9,599	8,264
Construction costs and retention payables	136,570	192,666
Deposits received in respect of rental of investment properties	130,582	137,708
Rentals receipt in advance	11,597	13,662
Deposits received (<i>note</i>)	153,433	167,639
Other payables	45,757	45,361
	<u>487,538</u>	<u>565,300</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(381,153)</u>	<u>(458,154)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>106,385</u>	<u>107,146</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	<u>9,599</u>	<u>8,264</u>

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

FINAL DIVIDEND

The Board of Directors proposes to recommend a final cash dividend for the year ended 31 December 2022 of HK\$0.20 (2021: HK\$0.28) per share together with the interim cash dividend of HK\$0.18 (2021: HK\$0.18) per share paid on 19 September 2022, makes a total cash dividend of HK\$0.38 (2021: HK\$0.46) per share. The proposed final cash dividend, if approved by the shareholders at the forthcoming Annual General Meeting to be held on Thursday, 25 May 2023, will be paid on Monday, 12 June 2023 to the Company's shareholders registered on Monday, 5 June 2023.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF 2022 FINAL DIVIDEND

For the purpose of determining shareholders who qualify for the 2022 final dividend, whose name should be recorded in the Company's shareholders book on Monday, 5 June 2023. The Register of Members of the Company will be closed from Thursday, 1 June 2023 to Monday, 5 June 2023, both days inclusive. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's Registrar, 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 Wednesday, 31 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2022, the audited consolidated profits of the Company and its subsidiaries amounted to approximately of HK\$88.8 million, comparing to that of 2021 amounted to approximately of HK\$420.6 million, representing a decrease approximately of HK\$331.8 million (dropped 79%).

The decrease of profit principally reflects (1) the substantial decrease of fair value gain of approximately HK\$142.6 million of investment properties for the year ended 31 December 2022, compared to a gain of approximately HK\$379.1 million recorded in the same period last year and (2) a net exchange loss of approximately HK\$117.1 million for the year ended 31 December 2022, compared to a net exchange gain of approximately HK\$27.1 million for the corresponding year in 2021.

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 income 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 (losses).

PROPERTY INVESTMENT

Overall Rental Revenue

For the year ended 31 December 2022, the Group recorded gross rental revenue of approximately HK\$301.1 million, decreased by approximately HK\$4.7 million from approximately of HK\$305.8 million in the year of 2021, slightly decreased 1.5%.

Overall Occupancies

The Group's overall occupancy of major investment properties maintained at 79.4% as at 31 December 2022.

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 year ended 31 December 2022, Chong Hing Square generated a gross rental revenue of approximately HK\$69.0 million, decreased by approximately HK\$14.7 million from approximately of HK\$83.7 million in 2021. Decrease of rental revenue was due to rental concessions to existing tenants and rental loss upon new and renewal of tenancies. The occupancy was 73% as at 31 December 2022.

Chong Hing Bank Centre

Chong Hing Bank Centre, located at 24 Des Voeux Road Central, is a 26-storey Grade A office building. The Company, having retained several floors for the group's use, had entered into another 5-year fixed lease with Chong Hing Bank Limited in 2019 at a monthly rental of HK\$7.98 million from HK\$5.66 million, representing an increase of 41%. For the year ended 31 December 2022, Chong Hing Bank Centre generated rental revenue of approximately HK\$95.8 million. 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. The mall was revamped in 2019 and turned into a young and trendy community mall serving local neighbors providing numerous new brands of retailers and F&B outlets. After renovation, the management expected this would be one of the young and popular malls in the western district and be able to generate higher rental return. For the year ended 31 December 2022, The Rockpool generated gross rental revenue of approximately HK\$8.5 million. As of today, the mall achieved occupancy of 67% and carparks were fully let.

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 year ended 31 December 2022, Fairview Court recorded rental revenue of approximately HK\$6.8 million, it records net rental revenue approximately of HK\$3.6 million after rental elimination. This property recorded 100% occupancy as of 31 December 2022.

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 79% let in terms of office space and 84% let in terms of retail space as at year end. For the year ended 31 December 2022, this office building, after taking exchange translation, generated a rental revenue of approximately HK\$111.3 million, representing an increase of 1.6%.

The management is satisfied with the property's revenue and occupancy during the year of 2022 despite the continuous tightening of pandemic control measures caused by COVID-19 and the lockdown of Shanghai city which forced the retail tenants to close down their business for over two months.

Overall

2022 is a challenging year full of uncertainties. The increase of interest rates, the surge of inflation and the restriction measures of COVID-19 which have yet been fully lifted, further weakened the market confidence and consumption sentiment which caused serious impact to the Group's leasing and hotel business.

The management is optimistic about the Group's leasing and hotel business following the reopening of Hong Kong's border with Mainland China and the returning of tourists from Mainland China and overseas.

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 since September 2018.

Financial and Sale Results

For the year ended 31 December 2022, the Group recorded sale revenue of approximately HK\$82.8 million, decreased by approximately of HK\$156.2 million from approximately of HK\$239.0 million, representing a decrease of 65.4%. Number of residential units sold and recognized for the year was reduced from 63 units in 2021 to 20 units in 2022, and number of carpark units sold was decreased from 363 units in 2021 to 170 units in 2022. In effect, the development profit was decreased significantly.

As at 31 December 2022, a total of 5,225 residential units out of total 5,264 units (representing 99%) and a total of 2,234 carpark units out of total 4,670 units (representing 48%) were successfully sold out fetching accumulated sale proceeds of approximately HK\$6 billion. The management forecasted that further sale proceeds of approximately HK\$800 million 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 Bei Jiang Primary School, Xindongli Center, Bei Jiang 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 108,000 square meters. If including the retail and commercial area of approximately 1,461 square meters on the ground floor and 874 carpark spaces mainly built at basement level, the total developable area is over 142,000 square meters.

Construction progress

Main construction works has been completed at the end of 2022.

Marketing and Sale

Soft marketing activities had been launched since the end of 2021. Event marketing and on-site sales campaign will be started in June 2023. As the recovery of China's real estate market remains sluggish, the management will adjust their sales strategy and schedule accordingly.

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 year ended 31 December 2022, the budget hotel revenue decreased from approximately HK\$9.1 million in 2021 to approximately HK\$6.4 million in 2022. The decrease of hotel revenue was due to the slowdown of China's economy.

Hong Kong

One-Eight-One Hotel & Serviced Residences

The previous office building (formerly known as Western Harbour Centre), located at 181–183 Connaught Road West, was converted into a 182-room hotel and serviced residences. The hotel was in full operation after obtaining the hotel license on 2 December 2019. Apart from providing 182 guest rooms (room size ranging from 330 sq.ft. to 1,152 sq.ft.), other facilities include Sky Residences, two restaurants, Quay Club (executive lounge), gym room and a wide range of services and amenities.

For the year ended 31 December 2022, the hotel and F&B business recorded gross revenue approximately of HK\$99.3 million, decreased by approximately of HK\$5.2 million, from approximately of HK\$104.5 million in 2021, generating earnings before interest, tax, depreciation and amortization (“EBITDA”) approximately of HK\$22.5 million. However, if adding depreciation approximately of HK\$58.1 million, the hotel and F&B business recorded a net loss approximately of HK\$35.6 million.

Given the quality services and good dining experience, One-Eight-One Hotel became one of the popular hotel brands. After the compulsory quarantine measures ended on 26 September 2022, the Hotel began its pre-opening program on 1 October 2022. The hotel has undergone some improvements and deep disinfections cleaning and it resumed its business on 1 November 2022. Due to the re-opening of border with mainland china and the removal of all quarantine restriction measures, the management has confident about the hotel business in the coming year.

Thailand

Kimpton Kitalay Samui

In 2021, the Group invested 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.

The hotel is located at the north-eastern part of Samui Island and is situated along the Choengmon Beach. The land is a freehold land title with land areas of 29,588 sq.m. The hotel consists of 21 pool villas and 117 premium rooms and suites with total gross floor area of 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. The hotel was in full operation since January 2022.

For the year ended 31 December 2022, the hotel recorded gross revenue approximately of HK\$47.2 million and generated gross operating profit approximately of HK\$10.1 million. Along with the COVID-19 pandemic is well-controlled and travel restrictions are lifted, management expects that tourism industry in Thailand including Koh Samui could be returned to normal and will recover even faster in South Asia region in 2023.

SHARE OF RESULTS OF JOINT VENTURES

As at 31 December 2022, the Group teamed up with the same joint venture partner, to acquire four warehouses in Japan and two office buildings in Australia. All these warehouses and office buildings continued to maintain a stable rental revenue with 94%–100% occupancy.

In April 2022, the Group participated in an office investment in core Sydney CBD, Australia by subscribing 50% share of a Property Trust, through a joint venture company which is 50% owned by the Group. The Property Trust acquired 50% share of two Grade A office buildings located at 309 & 321 Kent Street, Sydney. In effect, the Group holds 12.5% of the property indirectly. The Trust was managed by the property and investment manager of AsheMorgan.

The property, having fully refurbished in 2019, comprises of two commercial office buildings, providing a total lettable area of 509,910 sq.ft., that each comprises of basement car parking, ground floor retail accommodation and upper level office accommodation. Whilst the buildings are physically independent of one another, they do share a common basement area and are situated on a single legal title.

In August 2022, after refinanced the existing Japan logistic portfolio, a new logistics center in Hokkaido was acquired without additional capital injection. The logistic center is a 1-story rental property providing a total lettable area of 210,280 sq.ft., with nearly 100% occupancy. It is located to the southwest of Chitose Station on the JR Chitose Line, which is 9 minutes' drive to New Chitose Airport.

The management regarded all the joint venture investments would bring the Group a stable rental returns together with a long term capital appreciation. For the year ended of 31 December 2022, the share of loss results of joint ventures was approximately HK\$24 million. The significant decrease in share results was primarily attributable to the unrealized exchange translation loss from JPY and AUD and the fair value loss of investment properties.

Outlook

Hong Kong economy is still facing many difficulties and uncertainties amid of the surging inflation and slow economic growth in the near future. But we are confident that the local consumption and overall business activities will be recovered gradually given the removal of all quarantine restrictions measures and the strong support and committed implementation plan by Hong Kong government.

The management will continue to stay focused on existing business to improving the overall financial performance through operation efficiency and asset enhancement. We will also seek other investment opportunities cautiously.

THE CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2022, 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.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

All directors have confirmed that they 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 to the Listing Rules throughout the review period.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2022, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULT

The Company had established an Audit Committee (“AC”) in 1999 with revised written terms of reference with reference to the latest Listing Rules. The committee comprises four members, namely Mr. Cheng Yuk Wo (Chairman), Dr. The Hon. Cheng Mo Chi, Moses, Mr. Au Kam Yuen, Arthur and Mr. Tong Tsun Sum, Eric, and all of them are Independent Non-executive Directors of the Company.

A meeting of the AC together with the Company’s external auditor was held to review the Group’s annual results for the year ended 31 December 2022 before they presented the same to the Board of Directors for approval. Based on the review and discussion with management, the AC was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The Annual General Meeting (the “AGM”) will be held at 27/F, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Thursday, 25 May 2023, at 11:00 a.m. in a hybrid format with the combination of a physical meeting and virtual meeting using a dedicated platform provided by our share registrar Computershare Hong Kong Investor Services Limited. The Notice of the AGM will be published on the websites of the Company and the HKExnews and despatched to Shareholders on or about 14 April 2023.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF ATTENDING AND VOTING AT 2023 AGM

For the purpose of determining shareholders who are entitled to attend and vote at the 2023 Annual General Meeting to be held on Thursday, 25 May 2023 (“2023 AGM”), whose name should be recorded in the Company’s shareholders book on Thursday, 25 May 2023. The Register of Members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive. In order to qualify for attending and voting at the 2023 AGM, all share certificates with completed transfer forms either overleaf or separately must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2023.

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. The Hon. 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, 16 March 2023

The Company’s 2022 Annual Report, containing the Directors’ Report, Financial Statements for the year ended 31 December 2022 and the Notice of Annual General Meeting, together with the circular and the Form of Proxy will be despatched to shareholders on or about 14 April 2023. All of these will be made available on the website of the HKExnews’s (www.hkexnews.hk) and the Company’s website (www.lchi.com.hk) on the same date.