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## **MULTIFIELD INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 898)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018**

#### **INTERIM RESULTS**

The board of directors (the “Board”) of Multifield International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018, together with the comparative figures as follows:

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

For the six months ended 30 June 2018

|                                       | <i>Notes</i> | <b>For the six months ended 30 June</b> |                           |
|---------------------------------------|--------------|---|---------------------------|
|                                       |              | <b>2018</b>                             | <b>2017</b>               |
|                                       |              | <b><i>HK\$'000</i></b>                  | <b><i>HK\$'000</i></b>    |
|                                       |              | <b><i>(Unaudited)</i></b>               | <b><i>(Unaudited)</i></b> |
| <b>REVENUE</b>                        | 3            | <b>59,483</b>                           | 300,142                   |
| Cost of sales                         |              | <b>(22,316)</b>                         | (21,284)                  |
| Gross profit                          |              | <b>37,167</b>                           | 278,858                   |
| Other income and gains                | 3            | <b>1,306</b>                            | 1,937                     |
| Foreign exchange differences, net     |              | <b>409</b>                              | (352)                     |
| Operating and administrative expenses |              | <b>(20,905)</b>                         | (28,149)                  |
| Finance costs                         | 5            | <b>(18,403)</b>                         | (16,514)                  |
| <b>(LOSS)/ PROFIT BEFORE TAX</b>      | 4            | <b>(426)</b>                            | 235,780                   |
| Income tax expense                    | 6            | <b>(5,902)</b>                          | (6,049)                   |
| <b>(LOSS)/ PROFIT FOR THE PERIOD</b>  |              | <b>(6,328)</b>                          | 229,731                   |

|  |                           | <b>For the six months ended 30 June</b> |                     |
|--|---------------------------|---|---------------------|
|  |                           | <b>2018</b>                             | <b>2017</b>         |
| <i>Notes</i>   |                           | <b>HK\$'000</b>                         | <b>HK\$'000</b>     |
|  |                           | <i>(Unaudited)</i>                      | <i>(Unaudited)</i>  |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>                                 |                           | <u>–</u>                                | <u>–</u>            |
| <b>TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD</b>                      |                           | <u><b>(6,328)</b></u>                   | <u>229,731</u>      |
| <b>(LOSS)/ PROFIT FOR THE PERIOD</b>   |                           |   |                     |
| <b>ATTRIBUTABLE TO:</b>  |                           |   |                     |
|  | Owners of the Company     | <b>2,354</b>                            | 147,351             |
|  | Non-controlling interests | <u><b>(8,682)</b></u>                   | <u>82,380</u>       |
|  |                           | <u><b>(6,328)</b></u>                   | <u>229,731</u>      |
| <b>TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD</b>                      |                           |   |                     |
| <b>ATTRIBUTABLE TO:</b>  |                           |   |                     |
|  | Owners of the Company     | <b>2,354</b>                            | 147,351             |
|  | Non-controlling interests | <u><b>(8,682)</b></u>                   | <u>82,380</u>       |
|  |                           | <u><b>(6,328)</b></u>                   | <u>229,731</u>      |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b> |                           |   |                     |
|  | Basic and diluted         | <b>8</b> <u><b>HK0.06 cents</b></u>     | <u>HK3.52 cents</u> |

Details of interim dividend are disclosed in note 7.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

|   | <i>Notes</i> | As at<br><b>30 June<br/>2018</b><br><i>HK\$'000</i><br><i>(Unaudited)</i> | As at<br>31 December<br>2017<br><i>HK\$'000</i><br><i>(Audited)</i> |
|---|--------------|---|---|
| <b>NON-CURRENT ASSETS</b>   |              |   |   |
| Property, plant and equipment   |              | 221,608   | 224,960   |
| Investment properties   |              | 9,032,900   | 9,005,730   |
| Prepaid land lease payments   |              | 379   | 383   |
| Club debenture  |              | 670   | 670   |
| Available-for-sale investments  | 9            | –   | –   |
| Financial assets measured at fair value<br>through other comprehensive income | 10           | –   | –   |
| Total non-current assets  |              | <u>9,255,557</u>  | <u>9,231,743</u>  |
| <b>CURRENT ASSETS</b>   |              |   |   |
| Properties held for sale  |              | 281,851   | 281,851   |
| Trade receivables   | 11           | 10,373  | 9,957   |
| Prepayments, deposits and other receivables                                   |              | 246,165   | 249,060   |
| Equity investments at fair value through<br>profit or loss                    |              | 1,396,380   | 1,481,034   |
| Pledged deposits  |              | 173   | 570   |
| Cash and cash equivalents   |              | 270,764   | 384,312   |
| Total current assets  |              | <u>2,205,706</u>  | <u>2,406,784</u>  |
| <b>TOTAL ASSETS</b>   |              | <u>11,461,263</u>   | <u>11,638,527</u>   |
| <b>CURRENT LIABILITIES</b>  |              |   |   |
| Trade payables  | 12           | 126   | 1,245   |
| Other payables and accruals   |              | 152,973   | 161,790   |
| Deposits received   |              | 65,345  | 62,529  |
| Interest-bearing bank and other borrowings                                    |              | 1,886,416   | 2,032,117   |
| Tax payable   |              | 50,606  | 50,227  |
| Total current liabilities   |              | <u>2,155,466</u>  | <u>2,307,908</u>  |
| <b>NET CURRENT ASSETS</b>   |              | <u>50,240</u>   | <u>98,876</u>   |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                              |              | <u>9,305,797</u>  | <u>9,330,619</u>  |

|  | <b>As at<br/>30 June<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2017<br/>HK\$'000<br/>(Audited)</b> |
|--|--|--|
| <b>NON-CURRENT LIABILITIES</b>               |  |  |
| Amount due to a director                     | 28,275   | 15,416   |
| Deferred tax liabilities                     | <u>1,226,717</u>   | <u>1,226,717</u>   |
| <b>Total non-current liabilities</b>         | <u><b>1,254,992</b></u>  | <u>1,242,133</u>   |
| <b>Net assets</b>                            | <u><b>8,050,805</b></u>  | <u>8,088,486</u>   |
| <b>EQUITY</b>                                |  |  |
| Equity attributable to owners of the Company |  |  |
| Issued capital                               | 41,804   | 41,804   |
| Reserves                                     | <u>6,408,326</u>   | <u>6,437,325</u>   |
|  | <b>6,450,130</b>   | 6,479,129  |
| Non-controlling interests                    | <u>1,600,675</u>   | <u>1,609,357</u>   |
| <b>Total equity</b>                          | <u><b>8,050,805</b></u>  | <u>8,088,486</u>   |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2017 except as noted below.

In the current period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2018.

|  |  |
|--|--|
| Amendments to HKFRS 2                                | <i>Classification and Measurement of Share-based Payment Transactions</i>      |
| Amendments to HKFRS 4                                | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> |
| HKFRS 9  | <i>Financial Instruments</i>   |
| HKFRS 15   | <i>Revenue from Contracts with Customers</i>                                   |
| Amendments to HKFRS 15                               | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>        |
| Amendments to HKAS 40                                | <i>Transfers of Investment Property</i>  |
| HK (IFRIC)-Int 22                                    | <i>Foreign Currency Transactions and Advance Consideration</i>                 |
| <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i> | Amendments to HKFRS 1 and HKAS 28  |

Except as described below, the adoption of the new amendments had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the following new or revised HKASs and HKFRSs, that have been issued but are not yet effective, in these interim financial statements:

|  |   |
|--|---|
| Amendments to HKFRS 9                                | <i>Prepayment Features with Negative Compensation</i> <sup>1</sup>  |
| Amendments to HKFRS 10 and HKAS 28 (2011)            | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup> |
| HKFRS 16   | <i>Leases</i> <sup>1</sup>  |
| HKFRS 17   | <i>Insurance contracts</i> <sup>2</sup>   |
| Amendments to HKAS 28                                | <i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>                                  |
| HK (IFRIC)-Int 23                                    | <i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>  |
| <i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> | Amendments to a number of HKFRSs <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

For effects of the initial application of HKFRS 9, as at 1 January 2018, the management of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

|  | <b>Available-<br/>for-sale<br/>investments</b> | <b>Financial assets<br/>measured<br/>at fair value<br/>through other<br/>comprehensive<br/>income</b> | <b>Available-<br/>for-sale<br/>investment<br/>revaluation<br/>reserve</b> |
|--|--|---|---|
|  | <i>HK\$'000</i>                                | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
|  | <i>(Unaudited)</i>                             | <i>(Unaudited)</i>  | <i>(Unaudited)</i>  |
| <b>Closing balance at</b>                                      |  |   |   |
| <b>31 December 2017 – HKAS 39</b>                              | –  | –   | 7,448   |
|  | -----  | -----   | -----   |
| <b>Effect arising from initial application of<br/>HKFRS 9:</b> |  |   |   |
| <b>Reclassification</b>  |  |   |   |
| From available-for-sale investments                            | –  | –   | –   |
|  | -----  | -----   | -----   |
| <b>Remeasurement</b>   |  |   |   |
| From cost less impairment to fair value                        | –  | –   | –   |
|  | -----  | -----   | -----   |
|  | -----  | -----   | -----   |
| <b>Opening balance at 1 January 2018</b>                       | –  | –   | 7,448   |
|  | =====  | =====   | =====   |

## 2. OPERATING SEGMENT INFORMATION

The analyses of the principal activities of the operations of the Group are as follows:

|  | Property investment              |                                 | Provision of serviced<br>apartment and property<br>management services |                                 | Trading and<br>investments      |                                 | Total                           |                                 |
|--|----------------------------------|---------------------------------|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | For the six months ended 30 June |                                 |  |                                 |                                 |                                 |                                 |                                 |
|  | 2018<br>HK\$'000<br>(Unaudited)  | 2017<br>HK\$'000<br>(Unaudited) | 2018<br>HK\$'000<br>(Unaudited)  | 2017<br>HK\$'000<br>(Unaudited) | 2018<br>HK\$'000<br>(Unaudited) | 2017<br>HK\$'000<br>(Unaudited) | 2018<br>HK\$'000<br>(Unaudited) | 2017<br>HK\$'000<br>(Unaudited) |
| <b>Segment revenue:</b>                    |                                  |                                 |  |                                 |                                 |                                 |                                 |                                 |
| Revenue from external customers            | <u>96,537</u>                    | <u>87,591</u>                   | <u>18,157</u>  | <u>15,699</u>                   | <u>(55,211)</u>                 | <u>196,852</u>                  | <u>59,483</u>                   | <u>300,142</u>                  |
| <b>Segment results</b>                     | <u>84,854</u>                    | <u>77,040</u>                   | <u>(7,102)</u>   | <u>(10,485)</u>                 | <u>(54,896)</u>                 | <u>189,542</u>                  | <u>22,856</u>                   | <u>256,097</u>                  |
| <i>Reconciliation:</i>                     |                                  |                                 |  |                                 |                                 |                                 |                                 |                                 |
| Unallocated corporate expenses             |                                  |                                 |  |                                 |                                 |                                 | (6,185)                         | (5,740)                         |
| Interest income from loans and receivables |                                  |                                 |  |                                 |                                 |                                 | 700                             | 156                             |
| Other gains                                |                                  |                                 |  |                                 |                                 |                                 | 606                             | 1,781                           |
| Finance costs                              |                                  |                                 |  |                                 |                                 |                                 | <u>(18,403)</u>                 | <u>(16,514)</u>                 |
| (Loss)/profit before tax                   |                                  |                                 |  |                                 |                                 |                                 | <u>(426)</u>                    | <u>235,780</u>                  |

### Geographical information

|                                 | Hong Kong                        |                                 | Mainland China                  |                                 | Total                           |                                 |
|---------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                 | For the six months ended 30 June |                                 |                                 |                                 |                                 |                                 |
|                                 | 2018<br>HK\$'000<br>(Unaudited)  | 2017<br>HK\$'000<br>(Unaudited) | 2018<br>HK\$'000<br>(Unaudited) | 2017<br>HK\$'000<br>(Unaudited) | 2018<br>HK\$'000<br>(Unaudited) | 2017<br>HK\$'000<br>(Unaudited) |
| Revenue from external customers | <u>(20,464)</u>                  | <u>229,494</u>                  | <u>79,947</u>                   | <u>70,648</u>                   | <u>59,483</u>                   | <u>300,142</u>                  |

The revenue information above is based on the locations of the customers. No single external customer accounted for 10% or more of the total revenue for the periods ended 30 June 2018 and 2017.

### 3. REVENUE , OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

|  | <b>For the six months ended 30 June</b> |                    |
|--|---|--------------------|
|  | <b>2018</b>                             | 2017               |
|  | <i>HK\$'000</i>                         | <i>HK\$'000</i>    |
|  | <i>(Unaudited)</i>                      | <i>(Unaudited)</i> |
| <b>Revenue</b>   |   |                    |
| Rental income from property letting  | 96,537                                  | 87,591             |
| Serviced apartment and property management   | 18,157                                  | 15,699             |
| Fair value (losses)/gains on equity investments at<br>fair value through profit or loss, net | (67,934)                                | 193,717            |
| Dividend income from listed investments  | 12,723                                  | 3,135              |
|  | <u>59,483</u>                           | <u>300,142</u>     |
| <b>Other income and gains</b>  |   |                    |
| Interest income from loans and receivables   | 700                                     | 156                |
| (Loss)/gain on disposal of items of property,<br>plant and equipment                         | (1,089)                                 | 525                |
| Others   | 1,695                                   | 1,256              |
|  | <u>1,306</u>                            | <u>1,937</u>       |

### 4. (LOSS)/ PROFIT BEFORE TAX

The Group's (loss)/ profit before tax is arrived at after charging/(crediting):

|   | <b>For the six months ended 30 June</b> |                    |
|---|---|--------------------|
|   | <b>2018</b>                             | 2017               |
|   | <i>HK\$'000</i>                         | <i>HK\$'000</i>    |
|   | <i>(Unaudited)</i>                      | <i>(Unaudited)</i> |
| Depreciation  | 3,024                                   | 3,276              |
| Amortisation of prepaid land lease payments   | 4                                       | 4                  |
| Foreign exchange differences, net   | 409                                     | 352                |
|   | <u>3,437</u>                            | <u>3,632</u>       |
| Employee benefits expense (including directors' and<br>chief executive's remuneration): |   |                    |
| Salaries, wages and other benefits  | 6,481                                   | 6,402              |
| Pension scheme contributions<br>(defined contribution scheme)                           | 158                                     | 159                |
|   | <u>6,639</u>                            | <u>6,561</u>       |
| Total staff costs   | <u>6,639</u>                            | <u>6,561</u>       |



## 5. FINANCE COSTS

An analysis of finance costs is as follows:

|  | For the six months ended 30 June |             |
|--|----------------------------------|-------------|
|  | 2018                             | 2017        |
|  | HK\$'000                         | HK\$'000    |
|  | (Unaudited)                      | (Unaudited) |
| Interest on bank loans, overdrafts and other loans | <b>18,403</b>                    | 16,514      |

## 6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

|                                 | For the six months ended 30 June |             |
|---------------------------------|----------------------------------|-------------|
|                                 | 2018                             | 2017        |
|                                 | HK\$'000                         | HK\$'000    |
|                                 | (Unaudited)                      | (Unaudited) |
| Current – Hong Kong             |                                  |             |
| Charge for the period           | –                                | –           |
| Over provision in prior years   | –                                | –           |
| Current – Mainland China        |                                  |             |
| Charge for the period           | <b>5,902</b>                     | 6,049       |
| Total tax charge for the period | <b>5,902</b>                     | 6,049       |

## 7. DIVIDENDS

- (a) Dividends recognised as distribution during the period:

|   | <b>For the six months ended 30 June</b> |             |
|---|---|-------------|
|   | <b>2018</b>                             | 2017        |
|   | <b>HK\$'000</b>                         | HK\$'000    |
|   | <b>(Unaudited)</b>                      | (Unaudited) |
| Final dividend paid – HK0.75 cents<br>(2016: HK0.75 cents) per ordinary share | <b>31,353</b>                           | 31,353      |

- (b) Dividend declared after the end of the reporting period:

|   | <b>For the six months ended 30 June</b> |             |
|---|---|-------------|
|   | <b>2018</b>                             | 2017        |
|   | <b>HK\$'000</b>                         | HK\$'000    |
|   | <b>(Unaudited)</b>                      | (Unaudited) |
| Interim dividend declared – HK0.60 cents<br>(2017: HK0.60 cents) per ordinary share | <b>25,082</b>                           | 25,082      |

The above interim dividends were declared after the interim reporting dates and have not been recognised as liabilities at the end of the respective reporting periods.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$2,354,000 (2017: HK\$147,351,000) and the weighted average number of ordinary shares of 4,180,371,092 (2017: 4,180,371,092) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2018 and 2017.

**9. AVAILABLE-FOR-SALE INVESTMENTS**

|                                    | <b>As at<br/>30 June<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2017<br>HK\$'000<br>(Audited) |
|------------------------------------|--|---|
| <b>Non-current assets</b>          |  |   |
| Unlisted fund investments, at cost | –  | 11,589  |
| Impairment                         | –  | (11,589)  |
|                                    | <u>–</u>   | <u>(11,589)</u>                                       |
|                                    | <u>–</u>   | <u>–</u>  |

**10. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

|   | <b>As at<br/>30 June<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2017<br>HK\$'000<br>(Audited) |
|---|--|---|
| <b>Non-current assets</b>               |  |   |
| Unlisted fund investment, at fair value | –  | –   |
|   | <u>–</u>   | <u>–</u>  |

The management of the Company consider the fair value of the unlisted fund investments as at 30 June 2018 and 31 December 2017 are approximated to zero with reference to the undetermined fair value report by an independent external valuer.

## 11. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

|                | <b>As at<br/>30 June<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2017<br/>HK\$'000<br/>(Audited)</b> |
|----------------|--|--|
| Within 1 month | 1,503  | 1,776  |
| 1 to 2 months  | 767  | 505  |
| 2 to 3 months  | 704  | 220  |
| Over 3 months  | 7,399  | 7,456  |
|                | <u>10,373</u>  | <u>9,957</u>   |

## 12. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on invoice dates, is as follows:

|                | <b>As at<br/>30 June<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2017<br/>HK\$'000<br/>(Audited)</b> |
|----------------|--|--|
| Within 1 month | 84   | 1,133  |
| 1 to 2 months  | –  | 25   |
| 2 to 3 months  | –  | –  |
| Over 3 months  | 42   | 87   |
|                | <u>126</u>   | <u>1,245</u>   |

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

### **13. EVENTS AFTER THE REPORTING PERIOD**

On 31 July 2018, a wholly-owned subsidiary of the Company entered into the agreement for sale and purchase with an independent third party to sell the Property at a cash consideration of HK\$48,300,000 which is situated at Flat B, on the 9th Floor of Tower 5 and Private Car Park No. 53 on Car Park Level 3 of Residence Bel-Air of Island South.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 9 October 2018 to Thursday, 11 October 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 October 2018. The interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 11 October 2018 and the payment date will be on or about Friday, 26 October 2018.

### **CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS**

On behalf of the board of directors (the "Board") of Multifield International Holdings Limited (the "Company"), I am pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018.

#### **REVIEW OF OPERATION**

During the period under reporting, the Group recorded a loss of approximately HK\$6 million (2017: profit of HK\$230 million). This is mainly due to the loss brought by the fair value losses in equity investments (stocks) held by the Group.

The Group's rental income in Hong Kong recorded an increase of approximately 6%.

The Group's rental and management fee income from hotel-serviced apartments and villas in Shanghai recorded an increase of approximately 13%.

The Group's equity investments recorded a fair value loss of approximately HK\$68 million (2017: profit of HK\$194 million). Equities investments recorded dividend income of approximately HK\$13 million (2017: HK\$3 million).

## **PROPERTY INVESTMENT**

### **Hong Kong**

The Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings, retail shops and car parks. The Group's investment properties portfolio contributed stable rental revenue of approximately HK\$34 million for the six months ended 30 June 2018 (2017: HK\$32 million).

The Group's construction work of the new building at 54 Wong Chuk Hang Road, Hong Kong has completed and the occupation permit has been issued by Buildings Department on 6 July 2018. It is expected that the new building will provide a new and stable source of income to the Group.

### **Shanghai, China**

The Group's properties portfolio in Shanghai, China is divided into three residential complexes, comprising of around 182 blocks of hotel-serviced villas and 132 hotel-serviced apartments respectively. The properties in Shanghai are operated under the name of "Windsor Renaissance", which is regarded as a symbol of high quality villas and hotel-serviced apartments in Shanghai, and are well recognised by consulates and foreign business entities. The Shanghai properties has an average occupancy rate of approximately 90%, and generates rental and management fee revenue of approximately HK\$80 million for the six months ended 30 June 2018 to the Group (2017: HK\$71 million).

### **Zhuhai, China**

36,808 square meters of commercial use land in Qianshan is now under relocation progress. In July 2015, a new relocation policy has changed the responsibility of relocation from the land department to the local district government. The Group supports the local district government on the relocation work. The Group had submitted a proposal to the local government for the relocation, and had various meetings with the local relocation authorities to follow up the relocation work. The local town planning department had recently supported in principle to allow the land's residential construction area to be increased based on the original size and design planning permit of the land (can only be used for the relocation of original residential constructions on the land), and be submitted by the land reserve center for local district government's approval.

The Group held a parcel of hotel and commercial use land located in Doumen district, Zhuhai, the PRC (“Doumen Land”). The local government had proposed to buy back the Doumen Land from the Group due to a change in town planning and had offered a compensation to the Group. However, the land certificate of the Doumen Land was rescinded by the local government prior to reaching a consensus on compensation.

The management of the Group questions the legality of the local government’s actions regarding the change in town planning of the Doumen Land, the local authority’s unfair process of rescinding the land certificate and the unreasonable compensation valuation method used by the local government. Hence, the Group is engaged in ongoing legal proceedings against the local government up to the date of approval of these consolidated financial statements.

Although the outcome of the litigation is uncertain and the amount of the compensation has yet to be concluded, it is not expected to cause a material negative impact on the daily operations or trading position of the Group. The Group will do everything for the benefit of our shareholders and the Company.

## **FINANCIAL INVESTMENTS**

Worldwide economy and stock market were extremely volatile in the first half of 2018, in particular due to uncertainties such as US-China trade war and other political conflicts. These factors leading to equity investments (stocks) held by the Group to record fair value losses.

As of 30 June 2018, the Group held approximately HK\$1,396 million (as of 31 December 2017: HK\$1,481 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity and bonds investments were held by the Group in long-term for investment purpose and receiving dividend income.

The Group’s equity investments recorded a net fair value loss of approximately HK\$68 million (2017: profit of HK\$194 million) when marking the investment portfolios to market valuation as of 30 June 2018, along with dividend income of approximately HK\$13 million (2017: HK\$3 million).

The equity investments held by the Group as at 30 June 2018 were as follows:

| Stock Code | Company Name                          | Number of<br>shares held<br>as at<br>30 June<br>2018<br>'000 | Percentage of<br>shareholding<br>as at<br>30 June<br>2018<br>% | Fair value<br>(loss)/gain<br>for the six<br>months ended<br>30 June<br>2018<br>HK\$'000<br>(Unaudited) | Dividends<br>income<br>for the six<br>months ended<br>30 June<br>2018<br>HK\$'000<br>(Unaudited) | Fair value/<br>carrying<br>amount<br>as at<br>30 June<br>2018<br>HK\$'000<br>(Unaudited) |
|------------|---------------------------------------|--|--|--|--|--|
| 2800       | Tracker Fund of Hong Kong             | 16,250   | 0.52   | (9,750)  | 2,600  | 478,563  |
| 5          | HSBC Holdings plc                     | 5,743  | 0.03   | (36,466)   | 9,460  | 422,660  |
| 2828       | Hang Seng China Enterprises Index ETF | 2,664  | 0.81   | (17,050)   | –  | 297,835  |
| 3988       | Bank of China Limited                 | 29,300   | 0.04   | 1,465  | –  | 113,977  |
| 941        | China Mobile Limited                  | 340  | 0.00   | (3,247)  | 538  | 23,698   |
| 2628       | China Life Insurance Company Limited  | 1,000  | 0.01   | (4,300)  | –  | 20,250   |
| 857        | PetroChina Co. Ltd.                   | 2,378  | 0.01   | 1,236  | –  | 14,195   |
|            | Other listed securities <sup>#</sup>  |  |  | 178  | 125  | 25,202   |
|            |                                       |  |  | <u>(67,934)</u>  | <u>12,723</u>  | <u>1,396,380</u>   |

<sup>#</sup> Other listed securities mainly represented the Group's investment in 14 companies whose shares are mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 30 June 2018.

As at 30 June 2018, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may mainly be affected by worldwide economy and the degree of volatility in the Chinese and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performance of respective equity investments and the changes of market condition. The Company will adjust the Company's portfolio of investments as the Board considers appropriate.

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed elsewhere under the section headed "Chairman's Statement and Management Discussion and Analysis", the Group had no other material acquisition and disposal of subsidiaries and associated companies during the period.



## FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 30 June 2018, the Group has not entered into any financial instrument for foreign currency hedging purpose.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and/or debt investments of approximately HK\$1,396 million (as of 31 December 2017: HK\$1,481 million) as of 30 June 2018. The Group's cash and cash equivalents as of 30 June 2018 amounted to approximately HK\$271 million (as of 31 December 2017: HK\$384 million).

As of 30 June 2018, the Group had total bank and other borrowings amounting to approximately HK\$1,886 million (as of 31 December 2017: HK\$2,032 million), which were secured by legal charges on the Group's certain investment properties in Hong Kong and Shanghai, and certain equity investments. The Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Group as at 30 June 2018 was as follows:

|  | <i>HK\$'000</i><br>(Unaudited) |
|--|--------------------------------|
| Within one year                        | 1,568,721                      |
| In the second year                     | 124,073                        |
| In the third to fifth years, inclusive | <u>193,622</u>                 |
| Total                                  | <u><u>1,886,416</u></u>        |

With the total bank and other borrowings of approximately HK\$1,886 million (as of 31 December 2017: HK\$2,032 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$9,937 million (as of 31 December 2017: HK\$10,121 million), the Group's gearing ratio as at 30 June 2018 was around 19% (as of 31 December 2017: 20%).

## **CONTINGENT LIABILITY**

As of 30 June 2018, the Group had no material contingent liability.

## **COMMITMENTS**

As of 30 June 2018, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$71 million (as of 31 December 2017: HK\$104 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As of 30 June 2018, the Group had approximately 220 employees in Shanghai, Zhuhai and Hong Kong. During the period, the staff costs (including directors' emoluments) amounted to approximately HK\$7 million (2017: HK\$7 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are mainly considered. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

## **PROSPECT**

The US Federal Reserve had increased the interest rate again in December 2017, March 2018 and June 2018. As Hong Kong dollar is pegged to the US dollar, Hong Kong may follow to increase its interest rate in the future. These may exert pressure on price on equity investments held by the Group, particular in high-yield equity investments. Besides, the slowdown in growth of Chinese economy may have a significant impact on Hong Kong's rental market.

The investment properties (particularly the small-sized residential units) in Hong Kong had recorded increase in market value in the first half year of 2018. However, officials from Hong Kong government stated that control measures on properties markets would not be withdrawn in the near term. Facing the new government policy proposals including a plan to make government-subsidised housing cheaper and impose vacancy tax on newly built but unsold homes and with the conditions for potential interest rate increase, investment properties in Hong Kong held by the Group might record decrease in market value as compared to the increase in previous years.

Under the uncertainties associated with the US-China trade war, and the devaluation of Renminbi, retreat of foreign investments from China and intensive competition in rental business in China, these may exert pressure on the revenue from provision of hotel-serviced villas, apartments and property management services in China. Despite of China's possible slower than expected economic growth, inflationary pressure on salaries, utilities expenses, properties renovation and quality enhancement expenses remains a key challenge to the Group.

#### **EVENTS AFTER THE REPORTING PERIOD**

Details of significant events subsequent to the balance sheet date are set out in Note 13.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of listed securities of the Company during the six months ended 30 June 2018.

#### **REVIEW BY AUDIT COMMITTEE**

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2018.

#### **CORPORATE GOVERNANCE CODE**

In the opinion of the directors of the Company, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (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") throughout the six months ended 30 June 2018, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subjected to re-election; and (ii) all directors appointed to fill a casual vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision of E.1.2, the chairman of the board should attend the annual general meeting.

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 25 May 2018 (the “2018 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2018 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2018 AGM.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2018.

## **BOARD OF DIRECTORS**

As of the date of this announcement, the executive directors of the Company are Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi and the independent non-executive directors of the Company are Mr. Lee Siu Man, Ervin, Mr. Wong Yim Sum and Mr. Tsui Ka Wah.

By Order of the Board  
**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 28 August 2018