



中國城市基礎設施集團有限公司

China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2349

INTERIM REPORT
2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Chao Bo (*Chairman and Chief Executive Officer*)
Mr. Ji Jiaming
Mr. Ye Tianfang (*Chief Executive Officer*)
(*resigned on 25 July 2022*)

Non-executive Director

Mr. Zhang Guiqing

Independent non-executive Directors

Mr. Ng Chi Ho, Dennis
Mr. Kwok Kin Wa
Ms. Kwong Mei Wan, Cally

AUDIT COMMITTEE

Mr. Ng Chi Ho, Dennis
(*Committee Chairman*)
Mr. Kwok Kin Wa
Ms. Kwong Mei Wan, Cally

REMUNERATION COMMITTEE

Mr. Kwok Kin Wa (*Committee Chairman*)
Mr. Ng Chi Ho, Dennis
Ms. Kwong Mei Wan, Cally

NOMINATION COMMITTEE

Mr. Kwok Kin Wa (*Committee Chairman*)
Mr. Ng Chi Ho, Dennis
Ms. Kwong Mei Wan, Cally

COMPANY SECRETARY

Mr. Chan Hoi Yin Anthony

AUTHORISED REPRESENTATIVES

Mr. Li Chao Bo (*Chairman*)
Mr. Chan Hoi Yin Anthony

AUDITOR

Confucius International CPA Limited
Certified Public Accountants

WEBSITE

www.city-infrastructure.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
No. 78 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
No. 99 Queen's Road Central, Hong Kong

The Hong Kong and Shanghai Banking
Corporation Limited
Level 10, HSBC Main Building
No. 1 Queen's Road Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6208, 62nd Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
Notes		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	38,060	41,009
Cost of sales		(18,171)	(18,751)
Gross profit		19,889	22,258
Fair value loss in respect of investment properties revaluation		(12,048)	(33,746)
Allowance for expected credit losses of trade and other receivables	10	(39)	–
Other operating income		2,272	529
Other operating expenses		(609)	(26)
Selling and distribution expenses		(766)	(1,173)
Administrative expenses		(23,650)	(24,101)
Finance costs	4	(46,516)	(45,267)
Loss before tax		(61,467)	(81,526)
Income tax credit	5	3,012	8,437
Loss for the period attributable to owners of the Company	6	(58,455)	(73,089)
		HK Cents	HK Cents
Loss per share			
– Basic and diluted	8	(1.87)	(2.34)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period	(58,455)	(73,089)
Other comprehensive expense for the period: Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operation	(58,815)	20,178
Total comprehensive expense for the period (net of tax) attributable to owners of the Company	(117,270)	(52,911)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	5,494	5,874
Investment properties	9	1,132,941	2,131,707
Goodwill		151,598	151,598
Right-of-use assets		20,557	22,628
		1,310,590	2,311,807
Current assets			
Inventories		16	16
Inventory of properties		186,675	191,427
Trade and other receivables	10	48,827	56,877
Pledged bank deposit	11	–	100,605
Bank balances and cash		16,720	17,428
		252,238	366,353
Assets of disposal group classified as held for sale	16	922,175	–
		1,174,413	366,353
TOTAL ASSETS		2,485,003	2,678,160
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	12	312,828	312,828
Reserves		585,016	702,286
Equity attributable to owners of the Company		897,844	1,015,114

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		121,420	364,810
Borrowings – due after one year	13	310,111	470,897
Deposits received for lease of properties		4,885	6,768
Lease liabilities – due after one year		2,815	3,974
		439,231	846,449
Current liabilities			
Trade and other payables	15	114,898	143,770
Contract liabilities		1,146	1,070
Deposits received for lease of properties		6,025	6,220
Tax payable		49,317	50,456
Borrowings – due within one year	13	31,765	142,622
Convertible note – due within one year	13	428,371	416,404
Promissory note – due within one year	14	53,392	53,229
Lease liabilities – due within one year		2,688	2,826
		687,602	816,597
Liabilities of disposal group classified as held for sale	16	460,326	–
		1,147,928	816,597
TOTAL LIABILITIES		1,587,159	1,663,046
TOTAL EQUITY AND LIABILITIES		2,485,003	2,678,160
NET CURRENT ASSETS (LIABILITIES)		26,485	(450,244)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,337,075	1,861,563

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022 (audited)	312,828	1,741,104	67,363	6,702	(184)	303	40,524	(1,153,526)	1,015,114
Loss for the period	-	-	-	-	-	-	-	(58,455)	(58,455)
Translation exchange differences	-	-	-	-	-	-	(58,815)	-	(58,815)
Total comprehensive expenses for the period	-	-	-	-	-	-	(58,815)	(58,455)	(117,270)
At 30 June 2022 (unaudited)	312,828	1,741,104	67,363	6,702	(184)	303	(18,291)	(1,211,981)	897,844

For the six months ended 30 June 2021

	Share capital HK\$'000	Share premium HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	312,828	1,741,104	67,363	6,702	(184)	303	1,335	(986,415)	1,143,036
Loss for the period	-	-	-	-	-	-	-	(73,089)	(73,089)
Translation exchange differences	-	-	-	-	-	-	20,178	-	20,178
Total comprehensive expenses for the period	-	-	-	-	-	-	20,178	(73,089)	(52,911)
At 30 June 2021 (unaudited)	312,828	1,741,104	67,363	6,702	(184)	303	21,513	(1,059,504)	1,090,125

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(5,638)	20,277
INVESTING ACTIVITIES		
Additions of investment properties	–	(3,626)
Purchase of property, plant and equipment	(5)	(219)
Placement of pledged bank deposit	–	(3,965)
Interest received	707	25
Decrease in pledged bank deposit	100,605	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	101,307	(7,785)
FINANCING ACTIVITIES		
Capital element of lease rental paid	(1,374)	(6,406)
Interest element of lease rental paid	(74)	(362)
Interest paid	(20,812)	(30,218)
New borrowings raised	55,979	83,249
Repayment of borrowings	(117,230)	(64,699)
NET CASH USED IN FINANCING ACTIVITIES	(83,511)	(18,436)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,158	(5,944)
Effect of foreign exchange rate changes	(12,179)	3,398
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,428	27,118
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17,407	24,572
ANALYSIS OF CASH AND CASH EQUIVALENTS representing bank balances and cash as stated in the consolidated statement of financial position	16,720	24,572
representing bank balances and cash attributable to assets of disposal group classified as held for sale	687	–
	17,407	24,572

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

China City Infrastructure Group Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002. The address of the registered office and principal place of business of the Company is disclosed in the “Corporate Information” section of this report.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 25 June 2003. The directors of the Company (the “Directors”) consider that Linkway Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is a substantial shareholder of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the “Group”) are property investment, property development, hotel business and property management in the People’s Republic of China (the “PRC”).

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3 Amendments to HKAS 16	Reference to the Conceptual Framework 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

Except as described below, the application of these new and revised HKFRSs did not have any material impact on the Group’s condensed consolidated interim financial information.

2.1. New and amendments to HKFRSs and interpretations issued but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28 Amendments to HKAS 1	Sale or Contribution of Assets between An Investor and its Associate or Joint Venture ² Classification of Liabilities as Current or Non-current and Related amendments to Hong Kong Interpretations 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8 Amendments to HKAS 12	Definition of Accounting Estimates ¹ Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective date to be determined.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1. New and amendments to HKFRSs and interpretations issued but not yet effective (continued)

The Group has not early adopted the new and amendments HKFRSs, which have been issued but are not yet effective for the current period. The Group has commenced an assessment of the related impact, but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of annual reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's operating segments are as follows:

- Property Development Business Segment engages in development of property projects in the PRC
- Property Investment Business Segment engages in leasing of investment properties in the PRC
- Hotel Business Segment engages in operation of hotels in the PRC
- Property Management Business Segment engages in provision of property management and other services in the PRC

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the six months ended 30 June 2022

	Property Development Business HK\$'000 (unaudited)	Property Investment Business HK\$'000 (unaudited)	Hotel Business HK\$'000 (unaudited)	Property Management Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	-	21,792	-	16,268	38,060
RESULT					
Segment operating results	(197)	1,167	(1,047)	4,452	4,375
Fair value loss in respect of investment properties revaluation	-	(12,048)	-	-	(12,048)
Unallocated corporate income					122
Unallocated corporate expense					(7,400)
Finance costs					(46,516)
Loss before tax					(61,467)
Income tax credit					3,012
Loss for the period					(58,455)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the six months ended 30 June 2021

	Property Development Business <i>HK\$'000</i> (unaudited)	Property Investment Business <i>HK\$'000</i> (unaudited)	Hotel Business <i>HK\$'000</i> (unaudited)	Property Management Business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	-	22,432	5,850	12,727	41,009
RESULT					
Segment operating results	(934)	6,889	(1,948)	3,127	7,134
Fair value loss in respect of investment properties revaluation	-	(33,746)	-	-	(33,746)
Unallocated corporate income					16
Unallocated corporate expense					(9,663)
Finance costs					(45,267)
Loss before tax					(81,526)
Income tax credit					8,437
Loss for the period					(73,089)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	27,021	26,688
Effective interest expense on convertible notes	18,386	17,379
Imputed interest on promissory note	959	953
Interest expense on lease liabilities	150	247
	46,516	45,267

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
PRC Land Appreciation Tax (“LAT”)	–	–
Current tax charge for the period	–	–
Deferred tax credit for the period	3,012	8,437
	3,012	8,437

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25% (2021: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2021: 16.5%). The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. INCOME TAX CREDIT (continued)

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable.

LAT in the PRC is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Staff costs, including directors' emoluments	12,975	15,124
Retirement benefits scheme contributions, including contributions for directors	710	968
Total staff costs	13,685	16,092
Depreciation of property, plant and equipment	180	168
Depreciation of right-of-use assets	1,512	6,440
Gross rental income from investment properties	(21,792)	(22,432)
Less: Direct operating expenses from investment properties that generate rental income	7,173	5,414
	(14,619)	(17,018)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$58,455,000 (six months ended 30 June 2021: approximately HK\$73,089,000) and on the number of ordinary shares of 3,128,278,542 (six months ended 30 June 2021: 3,128,278,542) in issue during the period.

Diluted loss per share was not presented for both periods because the impact of the conversion of convertible notes and the exercise of share options was anti-dilutive.

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The fair value of the Group's investment properties at 30 June 2022 and 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited and AP Appraisal Limited, independent qualified professional valuers not connected to the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuation of investment properties in Wuhan (Future City Shopping Centre) and Hangzhou were arrived at with the adoption of a combination of direct comparison method and investment method by Peak Vision Appraisals Limited. Direct comparison method assumes the property is capable of being sold in its existing state with the benefit of immediate vacant possession and makes reference to comparable sales evidence as available in the relevant markets. Investment method takes into account the current rents passing and the reversionary income potential of the property. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation of investment properties in Longgang were arrived at with the adoption of a market approach – the comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value by AP Appraisal Limited. The comparable transactions method is based on prices realized in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. As at 30 June 2022, the investment properties in Longgang were classified as held for sale. Details are disclosed in Note 16.

The resulting decrease in fair value of investment properties of approximately HK\$12,048,000 (six months ended 30 June 2021: approximately HK\$33,746,000) has been recognised directly in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (continued)

During the six months ended 30 June 2022, the Group did not dispose of any investment properties (six months ended 30 June 2021: nil).

On the other hand, it acquired property, plant and equipment at a total cost of approximately HK\$5,000 (six months ended 30 June 2021: approximately HK\$219,000).

Details of the pledged investment properties and property, plant and equipment as at 30 June 2022 and 31 December 2021 are set out in Note 17.

10. TRADE AND OTHER RECEIVABLES

An aging analysis of trade receivables (net of allowance for credit losses) at the end of the reporting period based on invoice date is as follows:

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade receivables		
– contracts with customers	1,697	9,281
– property investment business	8,119	11,010
Less: Accumulated allowance for credit expected losses	(777)	(1,791)
	9,039	18,500
Prepayments and deposits	24,940	29,400
Other receivables	19,189	13,418
Less: Accumulated allowance for expected credit losses	(4,341)	(4,441)
	39,788	38,377
	48,827	56,877

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES (continued)

An aging analysis of trade receivables (net of allowance for credit losses) based on invoice dates at the end of the reporting period is as follows:

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 90 days	1,892	6,671
91 to 180 days	6,322	6,758
Over 180 days	825	5,071
	9,039	18,500

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

11. PLEDGED BANK DEPOSIT

Pledged bank deposit of approximately HK\$100,605,000 as at 31 December 2021 carried a fixed interest rate of 3.48% per annum and was pledged to a bank to secure banking facilities granted to the Group. It was withdrawn by the Group during the six months ended 30 June 2022.

12. SHARE CAPITAL

	Number of ordinary shares HK\$0.1 each Share(s)	Amount HK\$'000
Authorised:		
At 1 January 2022 (audited) and 30 June 2022 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2022 (audited) and 30 June 2022 (unaudited)	3,128,278,542	312,828

All shares rank pari passu with the shares in issue in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. BORROWINGS AND CONVERTIBLE NOTES

During the six months ended 30 June 2022, the Group obtained new borrowings of approximately HK\$55,979,000 (six months ended 30 June 2021: approximately HK\$83,249,000), and made repayments in the amount of approximately HK\$117,230,000 (six months ended 30 June 2021: approximately HK\$64,699,000). These borrowings born interest at 7.50% to 8.00% per annum (year ended 31 December 2021: 4.08% to 8.00% per annum).

On 19 July 2019, the Company issued convertible notes with an aggregate principal amount of HK\$431,500,000 ("2022 Notes"), due on 19 July 2022 and bearing interest at 3% per annum payable annually. The 2022 Notes were issued to Sky Climber Development Limited ("SCDL"), the vendor of the entire issued share capital of Precious Palace Enterprises Limited, a subsidiary of the Group. The 2022 Notes are convertible into fully paid ordinary shares with a par value of HK\$0.1 each of the Company at an initial conversion price of HK\$0.50, subject to adjustment.

As at 30 June 2022, the carrying amount of the liability component of the convertible notes was HK\$428,371,000 (31 December 2021: HK\$416,404,000).

After the reporting period, on 15 July 2022, completion of the disposal of the entire issued share capital of Precious Palace for a total consideration of HK\$840,000,000 has been completed. As at 15 July 2022, the carrying amount of the liability component of the convertible notes was HK\$431,500,000, which was set off against the consideration.

Details of the aforesaid disposal were set out in the Company's announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

Upon the full conversion of the outstanding 2022 Notes at the conversion price of HK\$0.50 per conversion share, the outstanding 2022 Notes would be converted into 863,000,000 shares, representing approximately 27.59% of the existing issued share capital of the Company as at the date of the annual report and approximately 21.62% of the share capital of the Company as enlarged by the allotment and issue of the conversion shares. The shareholding of the substantial shareholders of the Company, namely Mr. Li Chao Bo and China Financial International Investments Limited, would be decreased from 23.30% to 18.26% and decreased from 22.32% to 17.49% respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. BORROWINGS AND CONVERTIBLE NOTES (continued)

The diluted loss per share for the period ended 30 June 2022 assuming all outstanding 2022 Notes being converted was HK\$1.08 cents and is calculated by dividing the loss attribute to the shareholders of the Company by the total number of shares after all outstanding 2022 Notes being converted. The calculation method of this diluted loss is not the same as those used in this interim report. According to Hong Kong Accounting Standard 33 paragraphs 43, potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted loss per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on loss per share. The conversion of 2022 Notes would have an antidilutive effect on loss per share and therefore the calculation of diluted loss per share in this interim report does not assume such conversion.

On the maturity date, any of the 2022 Notes not converted or redeemed during the tenure will be redeemed at 100% of its principal amount and accrued interest. The Board has given consideration to the financial and liquidity position of the Company and believes that the Company has adequate resources, including but not limited to the cash inflows from future sales of properties and fund raising activities, to meet its redemption obligations under the 2022 Notes.

Based on the implied internal rate of returns of the 2022 Notes, the Company's share price as at 30 June 2022 which would be equally financially advantageous for the securities holders to convert or redeem the convertible securities, was HK\$0.54 per share.

14. PROMISSORY NOTE

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
At beginning of the period/year	53,229	52,908
Interest charged (<i>note 4</i>)	959	1,925
Interest payable	(796)	(1,604)
	53,392	53,229

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. PROMISSORY NOTE (continued)

The promissory note was issued by the Company in connection with the acquisition of the entire issued share capital of Precious Palace Enterprises Limited ("Precious Palace") on 19 July 2019. The promissory note represented part of the consideration for the acquisition.

The promissory note is unsecured, bearing interest at 3% per annum and mature on 19 July 2022. The effective interest rate of the promissory note is 3.70% per annum.

After the reporting period, on 15 July 2022, completion of the disposal of the entire issued share capital of Precious Palace for a total consideration of HK\$840,000,000 has been completed. As at 15 July 2022, the carrying amount of the promissory note was HK\$53,500,000, which was set off against the consideration.

Details of the aforesaid disposal were set out in the Company's announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

15. TRADE AND OTHER PAYABLES

An aging analysis of the Group's trade payables at the end of the reporting period based on invoice date is as follows:

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 90 days	3,121	580
Over 180 days	7,169	6,680
Trade payables	10,290	7,260
Interest payables	53,902	57,338
Accrued expenses and other tax payable	6,086	8,563
Other payables	44,620	70,609
	114,898	143,770

Trade payables principally comprise of amounts outstanding for purchase of hotel consumables, construction materials and construction work of properties under development and investment properties.

The Directors consider that the carrying amount of trade and other payables approximate to their fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 25 April 2022, Green City Development Limited (“Green City”), a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Sky Climber Development Limited as the purchaser, to dispose of the entire equity interests of Precious Palace Enterprises Limited (“Precious Palace”) held by Green City at the consideration of HK\$840,000,000. On 15 July 2022, the disposal has been completed. Details of the disposal were set out in the Company’s announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

As at 30 June 2022, the assets and liabilities of Precious Palace were classified as disposal group held for sale and are presented separately in the consolidated statement of financial position.

	As at 30 June 2022 HK\$'000 (unaudited)
Investment properties	911,765
Trade and other receivables	9,723
Bank balances and cash	687
	922,175
Total assets classified as held for sale	922,175
Trade and other payables	37,527
Borrowings	192,941
Deposits received for lease of properties	1,859
Tax payable	58
Deferred tax liabilities	227,941
	460,326
Total liabilities classified as held for sale	460,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. PLEDGE OF ASSETS

At the end of reporting period, the following assets were pledged by the Group to banks to secure general banking facilities granted to the Group, and their respective carrying amounts are as follows.

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Investment properties situated in the PRC	352,269	1,475,560
Investment properties situated in the PRC attributable to assets of disposal group classified as held for sale (<i>note 16</i>)	911,765	–
Pledged bank deposit	–	100,605
	1,264,034	1,576,165

18. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had no significant contingent liabilities and commitments.

19. EVENT AFTER THE REPORTING PERIOD

On 15 July 2022, completion of the disposal of the entire issued share capital of Precious Palace for a total consideration of HK\$840,000,000 has taken place and Precious Palace has ceased to be a subsidiary of the Group thereafter. Details of the aforesaid disposal were set out in the Company's announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business. In order to devote more resources to meet the strategic direction of the Group's business, the Group may sell the whole or a portion of Group's property portfolio depending on the market and market value of the property portfolio. In support of further business development of the Group, the management is actively looking for the potential projects which is compatible with the Group's principal activities.

BUSINESS REVIEW

The PRC Property Development Business

During the six months ended 30 June 2022 (the "Current Period") and 30 June 2021, there was no revenue arising from property development business.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited was formed by the Group to operate the Future City Shopping Centre ("Future City") owned by the Group. The Future City is located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou station of metro line No. 2. As at 30 June 2022, the total leasable area of Future City is approximately 55,028 sq.m. with car park included. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks. Future City now becomes a fashionable, dynamic and international shopping centre to cater for the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers. As at 30 June 2022, the aggregate fair value of the Future City was approximately HK\$1,133 million. During the Current Period, the rental income generated from the Future City was approximately HK\$15.0 million (six months ended 30 June 2021: approximately HK\$16.1 million) and the average occupancy rate was around 91% (30 June 2021: 91%).

The Group completed the acquisition of the entire issued share capital of Precious Palace on 19 July 2019 for a total consideration of approximately HK\$795 million. Fengzhen Industrial Development (Shenzhen) Co. Limited, a company established in the PRC and an indirect wholly owned subsidiary of Precious Palace, is currently holding properties located in Longgang, Shenzhen, the PRC. The properties comprise property complex with land area of 14,971.1 sq.m. and total gross floor area of 36,875.72 square meters ("Longgang Properties"). Longgang Properties are located in Longcheng Road, which is in close proximity of Shenzhen metro Line 3 of Nanlian station and Shuanglong station.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the aggregate fair value of the Longgang Properties held by the Group was approximately HK\$912 million. During the Current Period, the rental income generated from the Longgang Properties was approximately HK\$6.8 million (six months ended 30 June 2021: approximately HK\$6.3 million) and the average occupancy rate was around 94% (30 June 2021: 94%).

On 15 July 2022, completion of the disposal of the entire issued share capital of Precious Palace for a total consideration of HK\$840,000,000 has taken place. The fair value of the Longgang Properties as at 30 June 2022 was included in the assets of disposal group classified as held for sale as at 30 June 2022. Details of the aforesaid disposal were set out in the Company's announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited, an indirectly wholly owned subsidiary of the Group, manages a business hotel ("Future City Hotel") with around 231 rooms, which is featured as one of the largest all suite business hotels in terms of room number in Central China. Easy access to the East Lake and universities and government authorities attracts travellers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and a team of hospitality professionals was recruited to deliver personalised services to customers. Future City Hotel has suspended its operation since January 2022 due to the impact of the COVID-19 pandemic.

During the Current Period, there was no revenue generated from Future City Hotel (six months ended 30 June 2021: HK\$5.9 million) and the average occupancy rate is around 56% during the six months ended 30 June 2021.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited and Wuhan Chengji Commodity City Management Company Limited, the indirect wholly owned subsidiaries of the Company, provides residents and tenants with safe, modern, comfortable and high quality property management services. During the Current Period, the revenue generated from property management was approximately HK\$16.3 million (six months ended 30 June 2021: approximately HK\$12.7 million).

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Period decreased to approximately HK\$38.1 million (six months ended 30 June 2021: approximately HK\$41.0 million). The decrease was mainly due to the reduction in revenue from hotel business of approximately HK\$5.9 million. During the period, the business of Future City Hotel has been suspended due to the impact of the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparing the six months ended 30 June 2021 to the Current Period, revenue from property management business increased from approximately HK\$12.7 million to approximately HK\$16.3 million, whereas revenue from property investment business and hotel business decreased from approximately HK\$22.4 million to approximately HK\$21.8 million and from approximately HK\$5.9 million to nil respectively.

Cost of Sales

Cost of sales decreased from approximately HK\$18.8 million for the six months ended 30 June 2021 to approximately HK\$18.2 million for the Current Period, primarily due to the decrease in cost of the hotel business in the Current Period.

During the Current Period, the Group's cost of sales comprises of those from property investment segment of approximately HK\$7.2 million (six months ended 30 June 2021: HK\$5.4 million), hotel business of nil (six months ended 30 June 2021: HK\$6.1 million) and property management business of approximately HK\$11.0 million (six months ended 30 June 2021: HK\$7.2 million).

Gross Profit and Gross Profit Margin

Gross profit decreased from HK\$22.3 million for the six months ended 30 June 2021 to approximately HK\$19.9 million for the Current Period. The Group had a gross profit margin of 52.3% for the Current Period, as compared to 54.3% for the corresponding six months in 2021. The decrease in the gross profit margin was primarily attributable to the decrease for that of the property management business.

Other Operating Income

Other operating income increased to approximately HK\$2.3 million for the Current Period from approximately HK\$0.5 million for the corresponding six months in 2021.

Other Operating Expenses

Other operating expenses increased from approximately HK\$26,000 for the six months ended 30 June 2021 to approximately HK\$0.6 million for the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK\$12.0 million for the Current Period arising from change in fair value of the investment property portfolio in the PRC held by the Group comparing to that of a net loss of approximately HK\$33.7 million for the six months ended 30 June 2021.

Selling and Distribution Expenses

The selling and distribution expenses decreased to approximately HK\$0.8 million for the Current Period from approximately HK\$1.2 million for the corresponding six months in 2021, primarily due to the decrease in advertising and promotion, and commission expenses for property investment business.

Administrative Expenses

The administrative expenses comprises of staff cost of approximately HK\$10.2 million, depreciation of property, plant and equipment and right-of-use assets of approximately HK\$1.7 million, legal and professional fee of approximately HK\$1.0 million and entertainment and travelling expenses of approximately HK\$1.0 million. The administrative expenses decreased to approximately HK\$23.7 million for the Current Period from approximately HK\$24.1 million for the corresponding six months in 2021, primarily due to the decrease in administrative expenses related to hotel business in the Current Period.

Finance Costs

The finance costs increased to approximately HK\$46.5 million for the Current Period from approximately HK\$45.3 million for the corresponding six months in 2021 due to the increase in effective interest expense on convertible notes of approximately HK\$1.0 million.

Income Tax Credit

The income tax credit for the Current Period was approximately HK\$3.0 million (six months ended 30 June 2021: approximately HK\$8.4 million). The amount was primarily attributable to the deferred tax credit arising from fair value loss in respect of investment properties revaluation during the Current Period.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately HK\$58.5 million (six months ended 30 June 2021: approximately HK\$73.1 million). The decrease was mainly attributable to the decrease in fair value loss in respect of investment properties during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2022, total bank balances and cash (including pledged bank deposit) of the Group amounted to approximately HK\$16.7 million (31 December 2021: HK\$118.0 million). The decrease was mainly attributable to the withdrawal of the pledged bank deposit during the Current Period.

Borrowings and Charges on the Group's Assets

As at 30 June 2022, the Group's total debts included borrowings of approximately HK\$341.9 million (31 December 2021: HK\$613.5 million), liability component of convertible notes of approximately HK\$428.4 million (31 December 2021: HK\$416.4 million) and promissory notes of approximately HK\$53.4 million (31 December 2021: HK\$53.2 million). Amongst the borrowings, approximately HK\$31.7 million (31 December 2021: approximately HK\$142.6 million) was repayable within one year and approximately HK\$310.1 million (31 December 2021: approximately HK\$470.9 million) was repayable after one year. The convertible notes and promissory notes are due in July 2022.

At 30 June 2022, certain inventory of properties together with relevant land use rights and certain investment properties, trade receivables and bank deposit with an aggregate amounts of approximately HK\$1,264.0 million (31 December 2021: HK\$1,576.2 million) were pledged as security for certain banking facilities granted to the Group.

Gearing and Current Ratios

The gearing ratio was 89.9% as at 30 June 2022 (31 December 2021: 95.1%). The gearing ratio was measured by net debt (aggregated borrowings, convertible notes and promissory notes net of bank balances and cash and pledged bank deposit) over the equity attributable to owners of the Company. The current ratio (current assets divided by current liabilities) was 102% (31 December 2021: 45%).

OUTLOOK AND FUTURE PLAN

During the Current Period, the COVID-19 pandemic has continued to spread around the world. The recurrent nature of the pandemic and the emergence of the virus variants as well as geopolitical tension have brought great uncertainties to the recovery of the global economy.

In view of the instability of the spread of COVID-19 pandemic, the Group has continued to take a series of necessary health precaution to mitigate the potential impact of the COVID-19 pandemic, including the implementation of prevention and control policies released by the relevant government authorities and adopting flexible work-from-home practices.

The Group will keep a close watch on the development and transformation trend of the industry, continue to implement our strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimize our investment portfolio and minimise the operating cost, with an aim to improve the value and market competitiveness of the Group.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and the short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company required to be kept under 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 ("Model Code") were as follows:

(i) Long positions in shares at 30 June 2022

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Li Chao Bo	Beneficial owner	(1)	728,912,000	23.30%
Mr. Ji Jiaming	Beneficial owner	(2)	100,000,000	3.20%

Notes:

- (1) Mr. Li Chao Bo is the sole beneficial owner of Linkway Investment Holdings Limited which in turn owns 728,912,000 shares of the Company. Mr. Li Chao Bo was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016, and as the chief executive officer of the Company with effective from 25 July 2022.
- (2) Mr. Ji Jiaming holds 50% of Double Joy Developments Limited and is a director of Double Joy Developments Limited, which in turn owns 100,000,000 shares of the Company. Mr. Ji Jiaming was appointed as an Executive Director of the Company with effect from 21 July 2017.

Save as disclosed above, at 30 June 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SHARE OPTIONS

The following table discloses movements in the Company's share options during the Current Period.

Category	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options					As at 30 June 2022
				As at 1 January 2022	Granted during the period	Exercised during the period	Expired during the period	Lapsed during the period	
Consultant	29/05/2013	0.64	29/05/2013 to 28/05/2023	3,000,000	-	-	-	-	3,000,000
Consultant	16/06/2015	0.88	16/06/2015 to 15/06/2025	5,000,000	-	-	-	-	5,000,000
Consultant	25/06/2015	0.91	25/06/2015 to 24/06/2025	20,445,948	-	-	-	-	20,445,948
				28,445,948	-	-	-	-	28,445,948

Saved as disclosed above, at no time during the period ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme") which was adopted by the Company on 3 June 2003. The New Scheme will expire on 17 June 2023. Option granted under the Old Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Old Scheme.

Under the current refreshed mandate limit of the New Scheme, the share options carrying the rights to subscribe for 312,827,854 shares (representing approximately 10% of issued share capital of the Company as at 30 June 2022 (the date of annual general meeting)) were available for granting by the Company as at 30 June 2022.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders of the Company maintained under Section 336 of the SFO shows that as at 30 June 2022, the Company had been notified of the following substantial shareholders' interests and short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital.

(i) Long positions in the shares at 30 June 2022

Name of substantial Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Linkway Investment Holdings Limited ("LIHL")	(1)	Beneficial owner and interest of controlled corporation	728,912,000	23.30%
Good Outlook Investments Limited	(2)	Beneficial owner and interest of controlled corporation	215,683,681	6.89%
China Financial International Investments Limited ("CFIIL")	(3)	Beneficial owner	698,079,429	22.32%
China Financial International Investments and Managements Limited	(4)	Investment manager	290,079,429	9.27%
Capital Focus Asset Management Limited	(4)	Investment manager	290,079,429	9.27%
Fu Lam Wu	(5)	Beneficial owner	200,000,000	6.39%

(ii) Long positions in the underlying shares as at 30 June 2022

Name of substantial Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Sky Climber Development Limited	(6)	Beneficial owner	863,000,000	27.59%

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

- (1) These Shares were held by LIHL. Mr. Li Chao Bo ("Mr. Li") is the sole beneficial owner of LIHL. Mr. Li has beneficially interested in the said Shares.
- (2) The company is a company incorporated in the British Virgin Island with limited liability.
- (3) These Shares were held by CFIL (Stock Code: 721). Therefore, CFIL have beneficially interested in the said Shares.
- (4) These Shares were held by CFIL. China Financial International Investments and Managements Limited ("CFIIM") is 51% owned by Capital Focus Asset Management Limited ("Capital Focus") and 29% by owned CFIL. Accordingly, for the purposes of the SFO, CFIIM and Capital Focus are deemed to have the same interests in the Company as CFIL, being in the capacity of investment manager of CFIL.
- (5) She is an independent third party.
- (6) Convertible notes in the principal amount of HK\$431,500,000 carrying the rights to subscribe for Shares at conversion price of HK\$0.50 per share was issued by the Company to Sky Climber Development Limited ("Sky Climber") on 19 July 2019. Mr. Yang Zhixiong ("Mr. Yang") is the sole beneficial owner of Sky Climber. Therefore, Mr. Yang has beneficially interested in the said Shares. If the conversion rights attached to the convertible notes had been fully exercised, 863,000,000 Shares would be issued at the conversion price of HK\$0.50 per share.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at 30 June 2022.

CORPORATE GOVERNANCE

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.1.3

Under this code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Although the ad-hoc meetings of the Board were convened when the circumstances required, sufficient notices were given for the meetings to all directors pursuant to the articles of association of the Company.

(2) Code Provision A.2.1

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo is acting as both the chairman of the Board (the “Chairman”) and the Chief Executive Officer (the “CEO”). The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

(3) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to the Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board (the “Chairman”) shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

CORPORATE GOVERNANCE

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code set out in Appendix 10 of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors of the Company.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Current Period.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the total number of employees stood at approximately 178 (30 June 2021: 183). Total staff costs for the Current Period was approximately HK\$13.7 million (six months ended 30 June 2021: approximately HK\$16.1 million). The Group offers its workforce comprehensive remuneration and employees' benefits packages.

INTERIM DIVIDEND

The Board resolved that the Company would not declare the payment of an interim dividend for the Current Period (six months ended 30 June 2021: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

The Group had not executed any agreement in respect of material investment or capital asset and did not have any further plans relating to material investment or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

Significant Investment

The Group had no significant investment held as at 30 June 2022.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

On 25 April 2022, Green City, a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Sky Climber Development Limited as the purchaser, to dispose of the entire equity interests of Precious Palace held by Green City at the consideration of HK\$840,000,000. On 15 July 2022, Completion of the aforesaid disposal has taken place. Details of the disposal were set out in the Company's announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

Save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Current Period.

OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save for (i) the resignation of Mr. Ye Tianfang as an Executive Director and the Chief Executive Officer on 25 July 2022; and (ii) the appointment of Mr. Li Chao Bo as the Chief Executive Officer on 25 July 2022; there has been no change in the information of the Directors since the Company's 2021 Annual Report that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee currently comprises Mr. Ng Chi Ho, Dennis (the chairman of audit committee), Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally, who are the independent non-executive Directors of the Company.

The audit committee has reviewed the unaudited condensed consolidated financial results of the Group for the Current Period.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; and (v) the Company's Registrar deals with shareholders for share registration and related matters.