



**ART GROUP HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 565)

## Corporate Information

### BOARD OF DIRECTORS

Mr. Chen Jinyan (*Chairman*)  
Mr. Chen Jindong (*Chief Executive Officer*)  
Mr. Kwan Chi Fai\*  
Mr. Yang Zeqiang\*  
(retired on 19 September 2021)  
Mr. Lin Ye\*  
Ms. Chong Sze Pui Joanne\*  
Ms. Wang Yuqin\*  
(appointed on 19 September 2021)

\* *Independent Non-executive Director*

### COMPANY SECRETARY

Ms. Yeow Mee Mooi

### AUDITOR

Elite Partners CPA Limited

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1407, 14th Floor, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central, Hong Kong  
Website: <http://artgroup.etnet.com.hk>

### REGISTERED OFFICE

2nd Floor, Century Yard  
Cricket Square  
P.O. Box 902  
Grand Cayman KY1-1103  
Cayman Islands

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited  
2nd Floor, Century Yard  
Cricket Square  
P.O. Box 902  
Grand Cayman KY1-1103  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Industrial and Commercial Bank of China  
China Construction Bank  
Bank of Zhengzhou  
Bank of China  
Hang Seng Bank

### SHARE LISTING

The Stock Exchange of Hong Kong Limited  
(Stock code: 565)

# Report on Review of Condensed Consolidated Financial Statements

**TO THE BOARD OF DIRECTORS OF ART GROUP HOLDINGS LIMITED**

**錦藝集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

## **Introduction**

We have reviewed the condensed consolidated financial statements of Art Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 30, which comprise the condensed consolidated statement of financial position as of 31 December 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## **Elite Partners CPA Limited**

*Certified Public Accountants*

### **Mr. Lock Kwong Hang, Simon**

Practising Certificate number: P06735

10th Floor

8 Observatory Road

Tsim Sha Tsui,

Kowloon, Hong Kong

28 February 2022

The board of directors (the “Board”) of Art Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2021 (the “Period”), which were reviewed by the auditor and the audit committee of the Company, together with the comparative figures for the corresponding period in 2020 are as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021

		<b>Six months ended 31 December</b>	
	<i>NOTES</i>	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000 (Re-presented)
<b>Continuing operations</b>			
Revenue	3	<b>94,447</b>	92,000
Cost of sales		<b>(18,321)</b>	(40,079)
Gross profit		<b>76,126</b>	51,921
Other income		<b>20,815</b>	15,837
Administrative expenses		<b>(11,446)</b>	(13,933)
Loss on fair value changes on investment properties		<b>(3,614)</b>	(403,000)
Finance costs	4	<b>(23,661)</b>	(30,774)
Profit/(loss) before taxation		<b>58,220</b>	(379,949)
Income tax (expense)/credit	5	<b>(13,760)</b>	97,364
Profit/(loss) for the period from continuing operations	6	<b>44,460</b>	(282,585)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	8	<b>(10,476)</b>	(5,934)
Profit/(loss) for the period		<b>33,984</b>	(288,519)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021

	<b>Six months ended 31 December</b>	
	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000 (Re-presented)
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	<b>21,846</b>	132,036
Other comprehensive income for the period, net of income tax	<b>21,846</b>	132,036
Total comprehensive income/(expense) for the period	<b>55,830</b>	(156,483)
Profit/(loss) for the period attributable to owners of the Company:		
– From continuing operations	<b>35,734</b>	(214,062)
– From discontinued operations	<b>(10,263)</b>	(3,840)
Profit/(loss) for the period attributable to owners of the Company	<b>25,471</b>	(217,902)
Profit/(loss) for the period attributable to non-controlling interests:		
– From continuing operations	<b>8,726</b>	(68,523)
– From discontinued operations	<b>(213)</b>	(2,094)
Profit/(loss) for the period attributable to non-controlling interests	<b>8,513</b>	(70,617)
	<b>33,984</b>	(288,519)
Total comprehensive income/(expense) for the period attributable to:		
– Owners of the Company	<b>45,161</b>	(111,658)
– Non-controlling interests	<b>10,669</b>	(44,825)
	<b>55,830</b>	(156,483)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021

		Six months ended 31 December	
		2021	2020
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
			(Re-presented)
NOTES			
Total comprehensive income/(expense) for the period attributable to owners of the Company:			
	– From continuing operations	55,803	(108,644)
	– From discontinued operations	<u>(10,642)</u>	<u>(3,014)</u>
		<u>45,161</u>	<u>(111,658)</u>
EARNINGS/(LOSS) PER SHARE			
From continuing and discontinued operations			
	Basic ( <i>HK cents</i> )	<u>0.95</u>	<u>(8.10)</u>
	Diluted ( <i>HK cents</i> )	<u>0.95</u>	<u>(8.10)</u>
From continuing operations			
	Basic ( <i>HK cents</i> )	<u>1.33</u>	<u>(7.96)</u>
	Diluted ( <i>HK cents</i> )	<u>1.33</u>	<u>(7.96)</u>

## Condensed Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	31 December 2021 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	4,662	11
Right-of-use assets	10	6,044	298
Investment properties	11	2,071,951	2,050,602
Rental deposits		190,687	185,540
		<u>2,273,344</u>	<u>2,236,451</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	27,799	296,331
Loan receivable		270,850	304,694
Bank balances and cash		188,692	16,693
		<u>487,341</u>	<u>617,718</u>
<b>CURRENT LIABILITIES</b>			
Other payables	13	44,936	35,126
Contract liabilities		18,010	20,651
Lease liabilities		62,068	22,270
Amount due to a substantial shareholder		26,689	47,888
Bonds	14	–	24,349
Tax liabilities		15,688	5,600
		<u>167,391</u>	<u>155,884</u>
<b>NET CURRENT ASSETS</b>		<u>319,950</u>	<u>461,834</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,593,294</u>	<u>2,698,285</u>



## Condensed Consolidated Statement of Financial Position

At 31 December 2021

	<i>NOTES</i>	<b>31 December 2021 HK\$'000 (unaudited)</b>	30 June 2021 HK\$'000 (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>26,888</b>	26,888
Reserves		<b><u>1,373,597</u></b>	<u>1,327,663</u>
Equity attributable to owners of the Company		<b><u>1,400,485</u></b>	<u>1,354,551</u>
Non-controlling interests		<u>–</u>	<u>160,207</u>
<b>TOTAL EQUITY</b>		<b><u>1,400,485</u></b>	<u>1,514,758</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>939,730</b>	948,620
Deferred tax liabilities		<b>226,717</b>	224,904
Bonds	14	<b><u>26,362</u></b>	<u>10,003</u>
		<b><u>1,192,809</u></b>	<u>1,183,527</u>
		<b><u>2,593,294</u></b>	<u>2,698,285</u>

## Condensed Consolidated Statement of Changes In Equity

For the six months ended 31 December 2021

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000			
At 1 July 2020 (audited)	26,888	263,850	136	(174,893)	43,528	5,000	1,237,248	1,401,757	346,645	1,748,402
Loss for the period	-	-	-	-	-	-	(217,902)	(217,902)	(70,617)	(288,519)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
- Exchange difference on translation from functional currency to presentation currency	-	-	-	106,244	-	-	-	106,244	25,792	132,036
Total comprehensive (expense)/income for the period	-	-	-	106,244	-	-	(217,902)	(111,658)	(44,825)	(156,483)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(5,538)	(5,538)
Appropriations	-	-	-	-	-	2,462	(2,462)	-	-	-
At 31 December 2020 (unaudited)	26,888	263,850	136	(68,649)	43,528	7,462	1,016,884	1,290,099	296,282	1,586,381
At 1 July 2021 (audited)	26,888	263,850	136	(597)	21,918	878	1,041,478	1,354,551	160,207	1,514,758
Profit for the period	-	-	-	-	-	-	25,471	25,471	8,513	33,984
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
- Exchange difference on translation from functional currency to presentation currency	-	-	-	19,690	-	-	-	19,690	2,156	21,846
Total comprehensive income for the period	-	-	-	19,690	-	-	25,471	45,161	10,669	55,830
Appropriations	-	-	-	-	-	367	(367)	-	-	-
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	773	773	(183,213)	(182,440)
Disposal of subsidiaries	-	-	-	1,649	-	-	(1,649)	-	12,337	12,337
Forfeiture of share options under employee share option scheme	-	-	-	-	(5,557)	-	5,557	-	-	-
At 31 December 2021 (unaudited)	26,888	263,850	136	20,742	16,361	1,245	1,071,263	1,400,485	-	1,400,485

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

		Six months ended December 31	
	<i>Note</i>	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Net cash generated from operating activities		<b>336,216</b>	33,797
Cash flows from investing activities			
Advance to loan receivables		<b>(259,036)</b>	–
Acquisition of property, plant and equipment		<b>(4,632)</b>	(9,859)
Acquisition of right-of-use assets		<b>(4,308)</b>	–
Repayment from loan receivables		<b>307,229</b>	–
Interest received		<b>3,372</b>	3,427
Net cash outflow from disposal of subsidiaries	8	<b>(46)</b>	–
Net cash generated from/(used in) investing activities		<b>42,579</b>	(6,432)
Cash flows from financing activities			
Acquisition of non-controlling interests without a change in control		<b>(182,440)</b>	–
Decrease in amount due to a substantial shareholder		<b>(21,460)</b>	–
Repayments of secured bank borrowings		–	(79,570)
Repayments of lease liabilities		<b>(546)</b>	(757)
Repayments of bond		<b>(9,000)</b>	(10,000)
Interest paid		<b>(88)</b>	(29,537)
Dividend paid to non-controlling interest		–	(5,538)
Net cash used in financing activities		<b>(213,534)</b>	(125,402)
Net increase/(decrease) in cash and cash equivalents		<b>165,261</b>	(98,037)
Effect of foreign exchange rate changes		<b>6,738</b>	31,253
Cash and cash equivalents at the beginning of the period		<b>16,693</b>	419,095
Cash and cash equivalents at the end of the period, represented by bank balances and cash		<b>188,692</b>	352,311

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties that are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 30 June 2021.

#### Application of amendments to HKFRSs

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

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

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

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) the lease payments received and receivable in the normal course of business, net of related taxes for the period; and (ii) property management and related services fee received and receivable.

Information reported to the Board, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Therefore, the CODM only considers the Group’s business from a product perspective, rather than from a geographic perspective as the Group’s revenue and contribution to segment results were substantially derived from the tenants in the People’s Republic of China (the “PRC”) and the assets are substantially located in the PRC. From a product perspective, the CODM assesses the performance from property operating for the six months ended 31 December 2021 and 31 December 2020.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3 to the consolidated financial statements of the Company’s 2021 annual report. Segment results represent the profit or loss from the segment without allocation of income tax expense, loan interest income and unallocated administrative expenses.

One single tenant from property operating segment contributed to 10 per cent or more of the Group’s revenue for the six months ended 31 December 2021 (six months ended 31 December 2020: One). The total amount of revenue from this tenant was HK\$17,272,000 (six months ended 31 December 2020: HK\$16,087,000).

3. REVENUE AND SEGMENT INFORMATION (Continued)

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Revenue from major business services:		
<i>Revenue within the scope of HKFRS 16</i>		
Rental income from leasing of properties	<b>37,407</b>	37,309
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Property management fee income	<b>55,293</b>	53,513
Property management – other related services	<b>1,747</b>	1,178
	<b>57,040</b>	54,691
	<b>94,447</b>	92,000
Disaggregated by timing of revenue recognition:		
<i>Over time:</i>		
Property management fee income	<b>55,293</b>	53,513
Property management – other related services	<b>1,747</b>	1,178
	<b>57,040</b>	54,691

### 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Performance obligations for revenue from contracts with customers

##### *Property management fee*

Property management fee is recognised over the service period. The Group receives monthly property management fee income from customers one to three months in advance under the contracts.

#### Segment information

The Group is principally engaged in property operating business in the PRC. During the six months ended 31 December 2021, the Group disposed of the biotechnology operations and the results of such operation together with the related loss on disposal have been presented as discontinued operations in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2021 (Note 8).

Subsequent to the disposal of the biotechnology operations, there is only one single reportable segment for the Group, which is property operating business in the PRC.

The CODM assesses the performance of the property operating segment based on sales and net profit.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

#### Six months ended 31 December 2021

##### Continuing operations

	<b>Property operating HK\$'000</b>
Revenue	<u>94,447</u>
Segment result	55,041
Income tax expense	(13,760)
Loan interest income	11,288
Unallocated administration expenses	<u>(8,109)</u>
Profit for the period from continuing operations	<u>44,460</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Property operating HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit			
Interest income	2,861	307	3,168
Interest expenses	(22,563)	(1,098)	(23,661)
Depreciation of property, plant and equipment	–	(37)	(37)
Depreciation of right-of-use assets	–	(583)	(583)
Fair value changes of investment properties	<u>(3,614)</u>	<u>–</u>	<u>(3,614)</u>

	Property operating HK\$'000
Six months ended 31 December 2020 Continuing operation	
Revenue	<u>92,000</u>
Segment result	(371,460)
Income tax expense	97,364
Unallocated administration expenses	<u>(8,489)</u>
Loss for the period from continuing operations	<u>(282,585)</u>



### 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Segment information *(Continued)*

	Property operating HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment loss			
Interest income	3,427	1	3,428
Interest expenses	(29,384)	(1,390)	(30,774)
Depreciation of property, plant and equipment	(663)	(5)	(668)
Depreciation of right-of-use assets	–	(596)	(596)
Fair value changes of investment properties	<u>(403,000)</u>	<u>–</u>	<u>(403,000)</u>

### 4. FINANCE COSTS

	Six months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Interest on		
– Secured bank borrowings	–	29,384
– Bonds	1,072	1,371
– Lease liabilities	<u>22,589</u>	<u>19</u>
	<u>23,661</u>	<u>30,774</u>

## 5. INCOME TAX EXPENSE/(CREDIT)

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
<i>Income tax recognised in profit and loss</i>		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	<b>14,664</b>	3,386
Deferred tax	<b>(904)</b>	(100,750)
	<b>13,760</b>	(97,364)

Hong Kong Profits Tax was calculated at 16.5% (six months ended 31 December 2020: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for both periods.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% for both periods.

During the six months ended 31 December 2021, no deferred tax liabilities (30 June 2021: Nil) were recognised in respect of the undistributed retained earnings of the PRC subsidiaries attributable to the Group under the EIT Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

## 6. PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Profit/(loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	37	668
Depreciation of right-of-use assets	583	596
Expenses related to short-term leases in respect of rented premises	51	14,816
Exchange loss, net	<u>458</u>	<u>1,849</u>

## 7. DIVIDEND

No dividend were paid or proposed during the period nor has any dividend been proposed since the end of the period (six months ended 31 December 2020: Nil).

## 8. DISCONTINUED OPERATIONS

During the current interim period, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in City Charm International Limited and its subsidiaries (the "Disposal Group") that carried out the Group's biotechnology operations at a nominal consideration of US\$1.00. The disposal was completed on 22 November 2021, on which date, the Group lost control of the Disposal Group. The Group's biotechnology operations are treated as discontinued operations.

**8. DISCONTINUED OPERATIONS** *(Continued)*

The loss for the current interim period from the discontinued biotechnology operations in the PRC is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to represent the biotechnology operations in the PRC as discontinued operations.

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss of biotechnology operations in the PRC for the period	<b>1,305</b>	5,934
Loss on disposal of biotechnology operations in the PRC	<b>9,171</b>	–
	<b>10,476</b>	5,934

**8. DISCONTINUED OPERATIONS** *(Continued)*

The results of the biotechnology operations in the PRC for the current and preceding interim periods were as follows:

	<b>Period ended 22 November 2021 (unaudited) HK\$'000</b>	Six months ended 31 December 2020 (unaudited) HK\$'000
Revenue	–	–
Cost of sales	–	–
	<hr/>	<hr/>
Gross profit	–	–
Other income	<b>243</b>	144
Administrative expenses	<b>(1,394)</b>	(3,570)
Loss on fair value change of biological assets	–	(2,386)
Finance costs	<b>(154)</b>	(122)
	<hr/>	<hr/>
Loss before taxation	<b>(1,305)</b>	(5,934)
Income tax expense	–	–
	<hr/>	<hr/>
Loss for the period	<b>(1,305)</b>	(5,934)
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**8. DISCONTINUED OPERATIONS** *(Continued)*

The net assets of the Disposal Group as at the date of disposal were as follows:

	HK\$'000 (unaudited)
<i>Loss on disposal of subsidiaries:</i>	
Total consideration	_*
Less: Net assets disposed of	3,166
Add: Non-controlling interest	<u>(12,337)</u>
Loss on disposal	<u>(9,171)</u>
<i>Total consideration satisfied by:</i>	
Cash consideration received	<u>_*</u>
<i>Net cash outflow arising on disposal:</i>	
Cash consideration received	_*
Bank balances and cash disposed of	<u>(46)</u>
Net cash outflow	<u>(46)</u>

Cash flows from the Disposal Group:

	<b>Period ended 22 November 2021 (unaudited) HK\$'000</b>	Six months ended 31 December 2020 (unaudited) HK\$'000
Net cash flows from operating activities	<b>31,002</b>	1,032
Net cash flows from investing activities	–	(9,859)
Net cash flows from financing activities	<u><b>(31,030)</b></u>	<u>8,273</u>
Net cash flows	<u><b>(28)</b></u>	<u>(554)</u>

\* less than HK\$1,000

## 9. EARNINGS/(LOSS) PER SHARE

### From continuing operations and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	<b>Six months ended 31 December</b>	
<b>Earnings/(loss)</b>	<b>2021 HK\$'000 (unaudited)</b>	<b>2020 HK\$'000 (unaudited)</b>
Profit/(loss) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings/(loss) per share	<b><u>25,471</u></b>	<u>(217,902)</u>

	<b>Six months ended 31 December</b>	
<b>Number of shares</b>	<b>2021 '000 (unaudited)</b>	<b>2020 '000 (unaudited)</b>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>2,688,805</b>	2,688,805
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	<b><u>1,930</u></b>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b><u>2,690,735</u></b>	<u>2,688,805</u>

**9. EARNINGS/(LOSS) PER SHARE** *(Continued)*

**From continuing operations**

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	<b>Six months ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings/(loss) figures are calculated as follow:</b>		
Profit/(loss) for the period of calculating basic earnings/(loss) per share from continuing operations	<b>35,734</b>	(214,062)

	<b>Six months ended 31 December</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>2,688,805</b>	2,688,805
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	<b>1,930</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b>2,690,735</b>	2,688,805



## 9. EARNINGS/(LOSS) PER SHARE *(Continued)*

### From discontinued operations

Basic loss per share for the discontinued operations was HK0.38 cents per share (2020: HK0.14 cents per share) and diluted loss per share for the discontinued operations was HK0.38 cents per share (2020: HK0.14 cents per share), based on the loss for the period from the discontinued operations of approximately HK\$10,263,000 (2020: HK\$3,840,000) and the denominators detailed above for both basic and diluted loss per share.

## 10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE-ASSETS

The Group paid HK\$8,939,000 (30 June 2021: Nil) for acquisition of leasehold lands and buildings for a new office premises in the PRC. The Group is the registered owner of the office premises, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold lands and buildings components of the office premises are presented separately in right-of-use assets and property, plant and equipment of approximately HK\$4,308,000 and HK\$4,631,000, respectively.

## 11. INVESTMENT PROPERTIES

The Group leases out retail stores under operating leases with rentals payable monthly/quarterly. The leases typically run for an initial period of 30 days to 20 years. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currency of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	<b>31 December 2021 HK'000 (unaudited)</b>	30 June 2021 HK'000 (audited)
Fair value		
Balance at the beginning of the period/year	<b>2,050,602</b>	2,637,363
Disposal of a subsidiary	–	(1,730,120)
Additions	–	1,128,785
Loss on fair value changes on investment properties	<b>(3,614)</b>	(260,550)
Exchange realignment	<b>24,963</b>	275,124
	<hr/> <b>2,071,951</b> <hr/>	<hr/> 2,050,602 <hr/>
Balance at the end of the period/year		

## 11. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties as at 31 December 2021 and 30 June 2021 has been arrived at on the basis of a valuation carried out at the end of the reporting period by International Valuation Limited (the "Valuer"), an independent qualified professional valuer not connected with the Group.

The Valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards. The fair value was arrived at by reference to comparable sales transactions available in the relevant market together with income approach by capitalising the net rental income derived from the existing tenancies with under various terms.

### The Group as lessor

Property rental income, management fee income and operating service income earned during the period was HK\$94,447,000 (six months ended 31 December 2020: HK\$92,000,000). All properties have committed tenants ranging from the next 1 to 13 years and include an extension option.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>31 December 2021 HK'000 (unaudited)</b>	30 June 2021 HK'000 (audited)
Within one year	<b>128,781</b>	68,732
In the second to fifth years inclusive	<b>202,320</b>	178,226
Over five years	<b>89,494</b>	239,145
	<b>420,595</b>	486,103

## 12. TRADE AND OTHER RECEIVABLES

	<b>31 December 2021 HK'000 (unaudited)</b>	30 June 2021 HK'000 (audited)
Trade receivables	<b>5,264</b>	3,972
Prepayment and other receivables	<b>22,535</b>	33,600
Consideration receivable ( <i>Note</i> )	–	258,759
	<b><u>27,799</u></b>	<u>296,331</u>

*Note:* The consideration receivable represents the consideration of the disposal of Zhengzhou Jiachao Property Services Co., Ltd.\*, an indirect 75%-owned subsidiary of the Company, on 22 June 2021. The consideration receivable was fully received during the six months ended 31 December 2021.

As at 31 December 2021 and 30 June 2021, all trade receivables of the Group were in the functional currency of the relevant group entities.

\* *For identification only*

The following is an aged analysis of trade receivables presented based on date of rendering of services:

	<b>31 December 2021 HK'000 (unaudited)</b>	30 June 2021 HK'000 (audited)
0 – 60 days	<b>3,515</b>	3,305
61 – 90 days	<b>696</b>	667
Over 90 days	<b>1,053</b>	–
	<b><u>5,264</u></b>	<u>3,972</u>

## 12. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (“ECL”), which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover potential exposure to credit risk, the allowance for ECL is insignificant.

Before accepting any new tenants, the Group assesses the potential tenants’ credit quality. 67% (30 June 2021: 83%) of the trade receivables that were neither past due nor impaired had good credit rating under internal credit assessment adopted by the Group.

## 13. OTHER PAYABLES

	<b>31 December 2021 HK'000 (unaudited)</b>	30 June 2021 HK'000 (audited)
Receipts in advance	<b>15,970</b>	12,273
Deposits received from tenants	<b>23,480</b>	14,503
Accrued charges and other payables	<b>5,486</b>	8,350
	<b>44,936</b>	35,126

#### 14. BONDS

On 13 August 2014, the Company issued two unlisted and non-transferable bonds at face value of HK\$5,340,000 and HK\$10,000,000 to two independent third parties. The bonds are interest bearing at 8.00% per annum, unsecured and repayable on the seventh and half anniversary of the respective date of issue. The bonds were initially recognised at HK\$15,309,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.05% (six months ended 31 December 2020: 8.05%) per annum. The bonds were extended for one year pursuant to the supplemental deed dated 28 December 2021.

On 8 August 2018 and 29 August 2018, the Company issued two unlisted and non-transferable bonds at face value of HK\$7,000,000 and HK\$3,000,000 to an independent third party. The bonds are interest bearing at 8.00% per annum, unsecured and repayable on the seventh and half anniversary of the respective date of issue. The bonds were initially recognised at HK\$10,000,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.00% (six months ended December 2020: 8.00%) per annum.

On 1 August 2019, the Company issued unlisted and non-transferable bond at face value of HK\$9,000,000 to an independent third party. The bond is interest bearing at 8.00% (six months ended December 2020: 8.00%) per annum, unsecured and repayable on the second anniversary of the respective date of issue. The bond was initially recognised at HK\$9,000,000 and subsequently measured at amortised cost using the effective interest method. The bond was fully settled during the period.

**14. BONDS** *(Continued)*

The movements of the liability component of the Group's bonds during the six months ended 31 December 2021 are as follows:

	HK\$'000
As at 30 June 2020 (audited)	44,343
Repayment of bond	(10,000)
Effective interest charged for the period	2,756
Coupon interest paid/payable	<u>(2,747)</u>
As at 30 June 2021 and 1 July 2021 (audited)	34,352
Repayment of bond	(9,000)
Effective interest charged for the period	1,072
Coupon interest paid/payable	<u>(62)</u>
<b>As at 31 December 2021 (unaudited)</b>	<b><u>26,362</u></b>

**15. SHARE CAPITAL**

	<b>31 December 2021 HK\$'000 (unaudited)</b>	30 June 2021 HK\$'000 (audited)
Authorised: 5,000,000,000 ordinary shares with HK\$0.01 each	<u><b>50,000</b></u>	<u>50,000</u>
Issued and fully paid: 2,688,805,163 ordinary shares with HK\$0.01 each	<u><b>26,888</b></u>	<u>26,888</u>

## 16. SHARE-BASED PAYMENTS

The Company adopts a share option scheme for eligible participants, including directors and employees of the Group and other participants. Details of the share options granted to the directors and employees of the Group outstanding during the period are as follows:

	<b>Number of share options</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
Outstanding at 1 July (audited)	<b>111,560</b>	218,960
Granted during the period	–	–
Exercised during the period	–	–
Forfeited during the period	<b>(26,850)</b>	(107,400)
Lapsed during the period	<b>(2,080)</b>	–
	<hr/>	<hr/>
Outstanding at 31 December (unaudited)	<b>82,630</b>	111,560
	<hr/>	<hr/>

## 17. RELATED PARTY TRANSACTIONS

The remuneration of directors, being the key management personnel, during the period was as follows:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short-term benefits	<b>1,969</b>	1,986
Retirement benefit scheme contributions	<b>18</b>	18
	<hr/>	<hr/>
	<b>1,987</b>	2,004
	<hr/>	<hr/>

The remuneration of directors is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

## 18. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that is required to be reported.

## Management Discussion and Analysis

### OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in property operating business through holding all equity interests in 鄭州中原錦藝商業運營管理有限公司 (Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.) (“Zhongyuan Jinyi”) in the PRC; of which, the principal activity of Zhongyuan Jinyi is property operating business. During the Period, the Company acquired 25% equity interests of Zhongyuan Jinyi by an indirect wholly-owned subsidiary. After completion, Zhongyuan Jinyi becomes an indirect wholly-owned subsidiary of the Company. Please refer to the announcement dated 15 November 2021 for details.

Zhongyuan Jinyi leased the Jiachao’s Shopping Mall with a rental period to expire in the mid of 2036, comprises the whole of a 4-storey shopping mall built over one level of basement commercial space with a gross floor area of approximately 125,188 square meters, situated in Zhengzhou City, Henan Province, the PRC. The Group generates revenue from the monthly incomes of rental, management and operating services payable by more than 146 independent tenants under the respective tenancy agreements with a remaining term ranging from one year to 13 years. The Jiachao’s Shopping Mall is a one-stop shopping paradise that offers a wide range of services and goods including shopping, dining and entertainment, such as a renowned department store, a cinema, a supermarket, KTV (a karaoke box), jewelries, beauty shops, electrical appliances shops, international labels for fashion, fitness, lifestyle, casual wear/sport, kid’s paradise and restaurants. Approximately 99.0% of the lettable area in the Jiachao’s Shopping Mall was rented out as at 31 December 2021. Certain area of the Jiachao’s Shopping Mall is rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.

In addition, Zhongyuan Jinyi leased the Zone C Shopping Mall, a 5-storey integrated commercial mall built over one level of basement commercial space with a gross floor area of approximately 80,118 square meters, situated in Zhengzhou City, from a real estate developer with a rental period to expire in the mid of 2036. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao’s Shopping Mall. Zhongyuan Jinyi promoted and further rented out the Zone C Shopping Mall to various independent tenants under the respective tenancy agreements with a remaining term ranging from one year to nine years. As at 31 December 2021, approximately 97.7% of the lettable area of the Zone C Shopping Mall had been leased out as retail shops, restaurants and/or for entertainment and leisure use which offers a wide range of services and goods with approximately 123 tenants including a cinema, an aquarium, jewelries, beauty shops, car sales, international labels for fashion, fitness, lifestyle, casual wear/sport, kid’s paradise and restaurants. Certain area of the Zone C Shopping Mall is rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.



Zhongyuan Jinyi has an advantage of having an existing team of caliber and experienced management and staff to run the two shopping malls together. As such, the extra costs for running the shopping malls is minimal to Zhongyuan Jinyi while it is earning considerable amount of incomes from renting out shopping malls to tenants. The Board believes that the larger the area for shopping, the more the number of similar types of shops opened, which may in turn attract more customers by offering them a large diversity of and well-known brand choices. The management of both the Jiachao's Shopping Mall and the Zone C Shopping Mall by Zhongyuan Jinyi will bring positive benefits and synergy effects on the customer flow and the tenant grade to the Group, which eventually contributes to revenue and profit margin of the property operating business of the Group.

During the Period, the Group disposed of biotechnology segment in Honghezhou, Yunnan Province, the PRC, of which, the Company held 60% equity interests in this segment. As no production approval license of cannabidiol ("CBD") was granted from the PRC regulatory body, the commercial production had not yet been commenced since its set-up in 2019; consequently, the Board determined to discontinue the operation of this segment in order to stop incurring further expenses.

On 28 April 2021, an indirect wholly-owned PRC subsidiary of the Company entered into a loan agreement with 福建千城綠景觀工程有限公司 (Fujian Qiancheng Lujingguan Engineering Co., Ltd.), an independent third party, (the "Borrower") pursuant to which, it was agreed to lend to the Borrower a loan in the principal amount of RMB250,000,000 for a term of 12 months from the drawdown date at an interest of 7.5% per annum. During the Period, the principal amount was revised to RMB210,000,000. The Group will focus its resources on property operating business and has no intention to commence money lending business. The Borrower approached the Group and looked for a source of financing. The entering into of the aforesaid loan agreement is due to (i) the surplus cash position of the Group; (ii) the interest income to be received by the Group; and (iii) the credit and repayment ability of the Borrower and its guarantor. Please also refer to the announcements of the Company dated 28 April 2021, 13 May 2021 and 19 November 2021 for details.

The COVID-19 pandemic spreads across the globe starting from the beginning of 2020, since then, the situation around the world continues to change rapidly. The situation in the PRC was at low risk and numerous business activities maintained at normal during the Period. The Board agrees that the Group's business has been impacted by the current public health situation to certain extent. Moreover, the Group had supported 15 tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall which were affected by serious flooding happened in Zhengzhou City in July 2021 by reducing their rental, management and operating service charges on different bases for the period from July to September 2021 with an aggregated amount of approximately HK\$1,031,000 (2020: HK\$17,705,000). The Group sees cost reduction as a key strategic focus to help navigate business uncertainty resulting from the prolonged global COVID-19 pandemic and natural disaster. The Group also focuses on protecting and advancing the interests of tenants and customers in these difficult times, whilst prioritising the safety and well-being of its employees and business partners.

## **Continuing Operations**

### *Revenue*

For the Period, the Group recorded a revenue of approximately HK\$94,447,000 (2020: HK\$92,000,000), approximately 2.7% more than that in 2020. Revenue of the Group included the monthly income of rental, management and operating services received and receivable from the tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall. Revenue of property operating segment for the Period maintained at the same level as that for the six months ended 31 December 2020.

### *Gross Profit*

The gross profit margin was approximately 80.6% for the Period (2020: 56.4%). Property operating segment has simple costs of sales due to its business nature, such as water, electricity and heat supply charges, rent, salary and wages, marketing and promotion expenses, public security and hygiene expenses, repair and maintenance fees etc. incurred for operating the shopping malls. A significant increase in gross profit margin was mainly due to the short-term lease in respect of the Zone C Shopping Mall recorded in cost of sales during the six months ended 31 December 2020 and after signing the 15-year lease in June 2021, relevant cost was classified as interest on lease liabilities in finance costs in accordance with HKFRS 16 Leases during the Period.

#### *Profit for the Period*

The Group's profit generated for the Period was approximately HK\$44,460,000 (loss incurred in 2020: HK\$282,585,000). The profit margin was approximately 47.1% for the Period (loss margin in 2020: 307.2%). Both increased positively for the Period because a loss on fair value changes of the Group's investment properties of approximately HK\$403,000,000 incurred for the six months ended 31 December 2020 as a consequence of the outbreak of COVID-19 pandemic during the year of 2020.

#### *Other Income*

Other income for the Period was approximately HK\$20,815,000 (2020: HK\$15,837,000), which comprised mainly other kinds of incomes generated from property operating segment, such as car parking fees and other services provided to tenants. Increase in other income was due to interest income earned from loan receivables during the Period.

#### *Expenses*

Administrative expenses amounted to approximately HK\$11,446,000 (2020: HK\$13,933,000), representing approximately 12.1% (2020: 15.1%) of revenue for the Period. Administrative expenses decreased by approximately 17.8% because fewer expenses related to the ownership of the Jiachao's Shopping Mall, such as salaries and insurance charges etc., were incurred during the Period after its disposal in June 2021.

The carrying value of the Group's investment properties as at 31 December 2021 of approximately HK\$2,071,951,000 was stated at fair value based on an independent valuation as at that date, which produced a loss on fair value changes of investment properties of approximately HK\$3,614,000. This loss on fair value changes of investment properties mainly reflected a less flourishing rental growth of the investment properties. The attributable net loss on fair value changes of investment properties of approximately HK\$2,033,000, after deducting related deferred tax liabilities and non-controlling interests, was debited to the consolidated income statement. The carrying value of the Group's investment properties as at 31 December 2021 was maintained at the same level as at 30 June 2021 due to well-controlled epidemic situation throughout the Period.

Finance costs amounted to approximately HK\$23,661,000 (2020: HK\$30,774,000), representing approximately 25.1% (2020: 33.5%) of revenue for the Period. The decrease was from interest expenses of two bank borrowings with aggregated principal amount of RMB800 million of a subsidiary disposed of in June 2021 that incurred for the six months ended 31 December 2020.

#### *Dividend*

The Board does not recommend the payment of an interim dividend for the Period (2020: Nil).

## **Discontinued Operations**

### *Loss for the Period*

Loss for the Period from discontinued operations was approximately HK\$10,476,000 (2020: HK\$5,934,000). There was no revenue generated from biotechnology segment for the six months ended 31 December 2020 and 2021 because no CBD production approval license was granted from the PRC regulatory body and thus the commercial production had not yet been commenced. The increase by approximately 76.5% was mainly due to the loss on disposal of biotechnology operations incurred during the Period.

## **FUTURE PLANS AND PROSPECTS**

In view of achieving the best interests of the Company and its shareholders as a whole, the Group has been putting effort in enlarging its operations of property operating business. Substantial resources have been placed into property operating business to explore future prospects and develop relevant markets. Thus, the Group acquired 25% equity interests in Zhongyuan Jinyi during the Period so as to increase the flexibility and efficiency in the management, decision-making and long-term strategy formulation by wholly owned the principal operating subsidiary, with a view to enhance the Group's development and to maximise the shareholders' return by focusing on property operating aspect.

The Group targets to engage in the provision of rental, management and operating services to more tenants of different kinds of shopping malls in various locations. Therefore, Zhongyuan Jinyi had entered into the tenancy agreements with each the landlords of the Jiachao's Shopping Mall and the Zone C Shopping Mall. The Group will persist to upgrade the tenants of the two shopping malls by offering tenancies to more popular brands and diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group conducts large scale marketing and promotion activities so that a stable and constant stream of incomes and fairly consistent cash flow can be continuously generated to the Group.

The Group will continue to deploy its resources on the property operating business including but not limited to (i) recruit more candidates with high-caliber and experience in property operating business; (ii) explore suitable shopping malls/properties of similar size and scale to the Jiachao's Shopping Mall and the Zone C Shopping Mall to expand the Group's property management and operating portfolio; and (iii) possible merger and acquisition of asset-light property operating business in the PRC so as to strengthen the Group's property operating team and further expand the Group's property management and operating portfolio.

The world may change after the prolonged pandemic is over. This poses a tremendous challenge to the Group. Nevertheless, the Group has been striving to use all of its resources on hand flexibly to cope with the difficulties. Extra prudence is needed in these unprecedented times and the Group can help support their tenants both now and over the long-term by increasing promotion activities to raise the popularity of the shopping malls, paying close attention to their business operations, providing policies of assistance for key merchants and following closely with market trends and government-related policies in real time in order to make appropriate management decisions in a timely manner.

By leveraging on the Group's current strategic plan and established strengths, experience and foresight, the Group continues to seize opportunities to penetrate into different areas of the property operating market, explore other new market potential and increase profit margin. Moreover, the Group intends to manage and operate the property operating segment by the current caliber management and competent employees of its subsidiaries. Simultaneously, the Group continues to implement conservative and stringent cost control policies in order to maintain sufficient working capital by imposing control over operating costs and capital expenditures and strengthening accounts receivable management.

Looking forward, the Group continues to place additional resources to realise growth momentum from the development of property operating market. The Jiachao's Shopping Mall and the Zone C Shopping Mall are situated in Zhengzhou City, the centre and one of the Regional Central Cities of the PRC, and with good economic and demographic fundamentals, which enables the Group to diversify its business operations into the property operating market in depth. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future along with continuing development of the Belt and Road Initiative and the Internal/External Circular Economy that advocated by the PRC government. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximised in long-term.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had net current assets and total assets less current liabilities of approximately HK\$319,950,000 (30 June 2021: HK\$461,834,000) and HK\$2,593,294,000 (30 June 2021: HK\$2,698,285,000), respectively. The Group had maintained its financial position by financing its operations with the proceeds from the disposal of a PRC subsidiary, internally generated resources and bonds. As at 31 December 2021, the Group had cash and bank deposits of approximately HK\$188,692,000 (30 June 2021: HK\$16,693,000). The current ratio of the Group was approximately 291.1% (30 June 2021: 396.3%).

Total equity of the Group as at 31 December 2021 was approximately HK\$1,400,485,000 (30 June 2021: HK\$1,514,758,000). As at 31 December 2021, four bonds (30 June 2021: five bonds) measured at amortised cost was approximately HK\$26,362,000 (30 June 2021: HK\$34,352,000) in aggregate, the gross debt gearing ratio (i.e. bonds/shareholders' fund) was approximately 1.9% (30 June 2021: 2.3%).

Though the return of funds has slowed down since 2020 as a result of the COVID-19 pandemic, the Group still has maintained and will continue to maintain a reasonable amount of working capital on hand in order to maintain its financial position, and sufficient resources are expected to be generated from its business operations and financial support from a substantial shareholder of the Company in meeting its short-term and long-term obligations.

## **FINANCING**

As at 31 December 2021, the Group had no borrowing facilities (30 June 2021: Nil). In addition, four bonds (30 June 2021: five bonds) amounted to approximately HK\$26,362,000 (30 June 2021: HK\$34,352,000) in aggregate, measured at amortised cost, were arranged with three (30 June 2021: four) independent third parties.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

## **CAPITAL STRUCTURE**

As at 31 December 2021, the share capital of the Company comprised ordinary shares only.

## **FOREIGN EXCHANGE RISK AND INTEREST RATE RISK**

During the Period, the Group was not subject to any significant exposure to foreign exchange rates risk as the majority of its transactions were denominated in RMB. Hence, no financial instrument for hedging was employed.

The Board monitors interest rate change exposure and may consider a hedging policy should the need arise.

### **CHARGE ON GROUP'S ASSETS**

As at 31 December 2021, the Group did not pledge any assets to any banks or financial institutions (30 June 2021: Nil).

### **STAFF POLICY**

The Group had 144 employees altogether in the PRC and Hong Kong as at 31 December 2021. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contribution to fund the endowment insurance, unemployment insurance, medical insurance, employees' compensation insurance and birth insurance (for employers only) at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

Four independent non-executive directors are appointed by the Company for a term of one year commencing from 11 April, 19 September, 15 October and 1 December each year respectively.

### **CONTINGENT LIABILITIES**

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

### **USE OF PROCEEDS FROM THE DISPOSAL**

The proceeds generated from the disposal in June 2021 were used as to (i) RMB244,060,000 (equivalent to approximately HK\$294,048,000) to settle the deposits of leasing the Jiachao's Shopping Mall and the Zone C Shopping Mall; (ii) approximately RMB68,983,000 (equivalent to approximately HK\$83,112,000) to settle the rent prepayment of first rental year of the Jiachao's Shopping Mall and the Zone C Shopping Mall; and (iii) the remainder of approximately RMB116,497,000 (equivalent to approximately HK\$140,358,000) to settle part of the acquisition of 25% equity interests in Zhongyuan Jinyi.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, were as follows:

### Long positions

(a) Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Jindong	Held by his spouse ( <i>Note 1</i> )	369,100,000	13.73%
Mr. Chen Jinyan	Beneficial owner and held by controlled corporation ( <i>Note 2</i> )	597,280,000	22.21%

*Notes:*

- Among the 369,100,000 shares, 324,340,000 shares are held by Jinjie Limited, a company incorporated in the British Virgin Islands (the "BVI"), the entire issued share capital of which is beneficially owned by the spouse of Mr. Chen Jindong, Ms. Lin Lin and 44,760,000 shares are held by Ms. Lin Lin. Mr. Chen Jindong is deemed to be interested in 369,100,000 shares of the Company.
- Among the 597,280,000 shares, 593,480,000 shares are held by Fully Chain Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinyan and 3,800,000 shares are held by Mr. Chen Jinyan. Mr. Chen Jindong is the younger brother of Mr. Chen Jinyan.



(b) *Share options*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of share options held</b>	<b>Number of underlying shares</b>
Mr. Lin Ye	Beneficial owner	2,080,000	2,080,000

Other than as disclosed above, none of the directors, chief executives or their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2021.

**ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed under the section headed “Share options” below, at no time during the Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

**DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

**SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed “Directors’ interests in shares and underlying shares” above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

## Long positions – Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Lin Lin	Beneficial owner and interest in a controlled corporation	369,100,000	13.73%
Mr. Chen Jinqing	Beneficial owner and interest in a controlled corporation (Note)	188,315,000	7.00%
Dresdner VPV N. V.	Investment manager	139,755,200	5.20%

Note: Among the 188,315,000 shares, 166,000,000 shares are held by Ultimate Name Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinqing and 22,315,000 shares are held by Mr. Chen Jinqing. Mr. Chen Jinqing is the youngest brother of Mr. Chen Jinyan and Mr. Chen Jindong.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2021.

## SHARE OPTIONS

The Company's share option scheme (the "Share Option Scheme") became effective on 22 November 2013. Particulars of the Share Option Scheme are set out in note 35 to the consolidated financial statements of the Company's 2021 annual report.

The following table disclosed movements in the Company's share options during the Period:

Grantee	Date of grant	Exercise period	Exercise Price HK\$	Outstanding at 1.7.2021	Granted during the Period	Exercised during the Period	Forfeited during the Period	Lapsed during the Period	Outstanding at 31.12.2021
<b>Directors</b>									
Mr. Lin Ye	22.5.2014	22.5.2014 to 21.5.2024	0.166	2,080,000	-	-	-	-	2,080,000
Mr. Yang Zejiang	22.5.2014	22.5.2014 to 21.5.2024	0.166	2,080,000	-	-	-	(2,080,000)	-
				4,160,000	-	-	-	(2,080,000)	2,080,000
<b>Employees</b>									
	15.1.2018	15.1.2018 to 14.1.2028	0.430	107,400,000	-	-	(26,850,000)	-	80,550,000
<b>Granted Total</b>				111,560,000	-	-	(26,850,000)	(2,080,000)	82,630,000

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE**

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company. Consequently, during the Period, the Company complied with the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Group has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises four independent non-executive directors of the Company. The principal duties of the audit committee include the review of the Group's financial reporting procedures, risk management and internal control and financial results. The audit committee has reviewed with the management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the Period.

By order of the Board

**Chen Jinyan**

*Chairman*

Hong Kong

28 February 2022