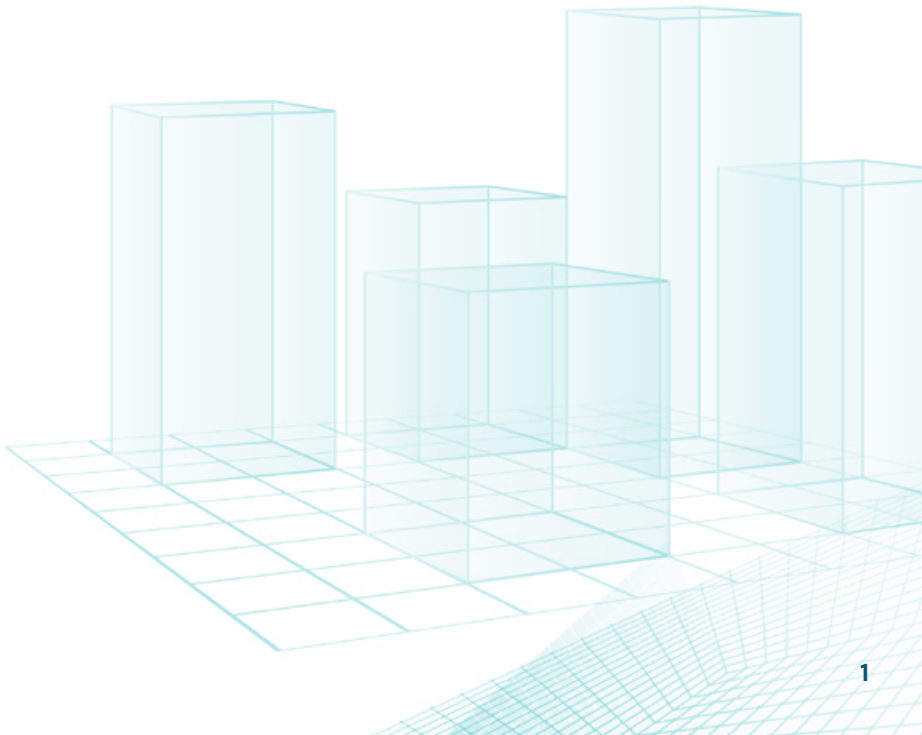


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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Chao Bo (*Chairman*)
Mr. Ji Jiaming
Mr. Ye Tianfang (*Chief Executive Officer*)

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

HLM 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
Level 54, Hopewell Centre
No. 183 Queen's Road East
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	30,176	47,115
Cost of sales		(17,914)	(18,987)
		12,262	28,128
Gross profit			
Fair value (loss) gain in respect of investment properties revaluation		(57,027)	6,397
Share of result of a joint venture	10	1,035	(388)
Other operating income		14,723	4,233
Other operating expenses		(44)	(3,045)
Selling and distribution expenses		(1,586)	(2,141)
Administrative expenses		(22,692)	(30,306)
Finance costs	4	(57,377)	(51,707)
		(110,706)	(48,829)
Loss before tax			
Income tax credit (expenses)	5	14,320	(2,437)
		(96,386)	(51,266)
Loss for the period	6		
		(93,734)	(51,229)
Attributable to:			
Owners of the Company		(2,652)	(37)
Non-controlling interests			
		(96,386)	(51,266)
		HK Cents	<i>HK Cents</i>
Loss per share			
– Basic and diluted	8	(3.00)	(1.66)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(96,386)	(51,266)
Other comprehensive expense for the period: Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operation	(37,265)	(84)
Share of translation reserve of a joint venture	(62)	4
Total comprehensive expense for the period (net of tax)	(133,713)	(51,346)
Total comprehensive expense attributable to:		
Owners of the Company	(131,722)	(51,309)
Non-controlling interests	(1,991)	(37)
	(133,713)	(51,346)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000 (unaudited)	<i>HK\$'000</i> <i>(audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>9</i>	5,392	4,405
Investment properties	<i>9</i>	2,452,747	2,588,764
Goodwill		227,203	227,203
Interest in a joint venture	<i>10</i>	3,810	2,837
Right-of-use assets		34,332	42,077
		2,723,484	2,865,286
Current assets			
Inventories		93	92
Inventory of properties		374,223	385,146
Trade and other receivables	<i>11</i>	449,579	400,965
Bank balances and cash		92,905	21,151
		916,800	807,354
TOTAL ASSETS		3,640,284	3,672,640
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	<i>12</i>	312,828	312,828
Reserves		716,006	847,728
Equity attributable to owners of the Company		1,028,834	1,160,556
Non-controlling interests		(7,725)	(5,734)
TOTAL EQUITY		1,021,109	1,154,822

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000 (unaudited)	<i>HK\$'000</i> <i>(audited)</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		437,450	462,238
Borrowings – due after one year	<i>13</i>	869,620	612,076
Convertible notes – due after one year	<i>13</i>	383,139	373,102
Promissory note – due after one year	<i>14</i>	358,415	357,385
Deposits received for lease of properties		11,610	11,780
Lease liabilities – due after one year		6,480	13,737
		2,066,714	1,830,318
Current liabilities			
Trade and other payables	<i>15</i>	151,537	169,234
Contract liabilities		132,556	158,495
Tax payable		69,373	71,592
Borrowings – due within one year	<i>13</i>	185,155	274,414
Lease liabilities – due within one year		13,840	13,765
		552,461	687,500
TOTAL LIABILITIES		2,619,175	2,517,818
TOTAL EQUITY AND LIABILITIES		3,640,284	3,672,640
NET CURRENT ASSETS		364,339	119,854
TOTAL ASSETS LESS CURRENT LIABILITIES		3,087,823	2,985,140

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Convertible notes equity reserve HK\$'000	Share options reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	312,828	1,741,104	67,363	6,702	(184)	42,414	(108,597)	(901,074)	1,160,556	(5,734)	1,154,822
Loss for the period	-	-	-	-	-	-	-	(93,734)	(93,734)	(2,652)	(96,386)
Share of translation reserve of a joint venture	-	-	-	-	-	-	(62)	-	(62)	-	(62)
Translation exchange differences	-	-	-	-	-	-	(37,926)	-	(37,926)	661	(37,265)
Total comprehensive expenses for the period	-	-	-	-	-	-	(37,988)	(93,734)	(131,722)	(1,991)	(133,713)
At 30 June 2020 (unaudited)	312,828	1,741,104	67,363	6,702	(184)	42,414	(146,585)	(994,808)	1,028,834	(7,725)	1,021,109

For the six months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Convertible notes equity reserve HK\$'000	Share options reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	308,228	1,717,316	5,388	7,013	(184)	45,224	(96,175)	(725,447)	1,261,363	-	1,261,363
Loss for the period	-	-	-	-	-	-	-	(51,229)	(51,229)	(37)	(51,266)
Share of translation reserve of a joint venture	-	-	-	-	-	-	4	-	4	-	4
Translation exchange differences	-	-	-	-	-	-	(84)	-	(84)	-	(84)
Total comprehensive expenses for the period	-	-	-	-	-	-	(80)	(51,229)	(51,309)	(37)	(51,346)
Issue of shares by conversion of convertible notes	4,600	23,788	(5,388)	-	-	-	-	-	23,000	-	23,000
Non-controlling interests arising on the capital injection in a subsidiary	-	-	-	-	-	-	-	-	-	357	357
At 30 June 2019 (unaudited)	312,828	1,741,104	-	7,013	(184)	45,224	(96,255)	(776,676)	1,233,054	320	1,233,374

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(77,613)	14,778
INVESTING ACTIVITIES		
Additions of investment properties	(3,869)	(3,948)
Purchase of property, plant and equipment	(1,344)	(5,475)
Increase in right-of-use assets	-	(15,172)
Interest received	31	72
NET CASH USED IN INVESTING ACTIVITIES	(5,182)	(24,523)
FINANCING ACTIVITIES		
Capital element of lease rental paid	(6,681)	(6,099)
Interest element of lease rental paid	(620)	(1,280)
Interest paid	(22,588)	(33,855)
New borrowings raised	488,347	354,233
Repayment of borrowings	(306,030)	(328,970)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	152,428	(15,971)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,633	(25,716)
Effect of foreign exchange rate changes	2,121	(2,314)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,151	49,980
CASH AND CASH EQUIVALENTS AT END OF PERIOD	92,905	21,950
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	92,905	21,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 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 2020

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 2019, 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 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2021

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020

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 2020

	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	8,041	11,088	4,432	6,615	30,176
RESULT					
Segment operating results	2,021	11,204	(1,637)	(1,856)	9,732
Fair value loss in respect of investment properties revaluation	-	(57,027)	-	-	(57,027)
Share of result of a joint venture					1,035
Unallocated corporate income					3,929
Unallocated corporate expense					(10,998)
Finance costs					(57,377)
Loss before tax					(110,706)
Income tax credit					14,320
Loss for the period					(96,386)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the six months ended 30 June 2019

	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	2,315	25,643	9,866	9,291	47,115
RESULT					
Segment operating results	(4,680)	13,819	1,615	1,058	11,812
Fair value gain in respect of investment properties revaluation	-	6,397	-	-	6,397
Share of result of a joint venture					(388)
Unallocated corporate income					59
Unallocated corporate expense					(15,002)
Finance costs					(51,707)
Loss before tax					(48,829)
Income tax expenses					(2,437)
Loss for the period					(51,266)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	33,862	48,537
Effective interest expense on convertible notes	16,457	1,890
Imputed interest on promissory note	6,438	–
Lease finance cost	620	1,280
	57,377	51,707

5. INCOME TAX CREDIT (EXPENSES)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	(554)
PRC Land Appreciation Tax (“LAT”)	(661)	(284)
Current tax charge for the period	(661)	(838)
Deferred tax credit (expenses) for the period	14,981	(1,599)
	14,320	(2,437)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. INCOME TAX CREDIT (EXPENSES) (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 2020 (six months ended 30 June 2019: Nil).

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

PRC LAT 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	260	432
Depreciation of right-of-use assets	6,921	6,774
Gain on disposal of investment properties	1,501	–
Gross rental income from investment properties	(11,088)	(25,643)
Less: Direct operating expenses from investment properties that generate rental income	1,003	3,092
	(10,085)	(22,551)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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\$93,734,000 (loss attributable to owners of the Company for six months ended 30 June 2019: approximately HK\$51,229,000) and the weighted average number of ordinary shares of 3,128,278,542 (six months ended 30 June 2019: 3,083,040,973) deemed to be 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 2020 and 31 December 2019 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. The valuation of investment properties was arrived at with the adoption of a combination of direct comparison method and investment method.

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.

The resulting decrease in fair value of investment properties of approximately HK\$57,027,000 (six months ended 30 June 2019: increase of approximately HK\$6,397,000) 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 2020

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

During the current interim period, the Group disposal investment properties at a total carrying amount of approximately HK\$25,963,000.

During the current interim period, the Group acquired property, plant and equipment at a total cost of approximately HK\$1,344,000 (six months ended 30 June 2019: approximately HK\$5,475,000).

Details of the pledged investment properties and property, plant and equipment as at 30 June 2020 and 31 December 2019 are set out in Note 16.

10. INTEREST IN A JOINT VENTURE

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Unlisted cost of investments in a joint venture	3,658	3,658
Share of post-acquisition losses and other comprehensive expenses	435	(600)
Exchange adjustments	(283)	(221)
	3,810	2,837

As at 30 June 2020, particulars of the joint venture were as follows:

Name of joint venture	Form of business structure	Country of incorporation and principal place of operation	Percentage of ownership interest	Principal activity
Citic Zheng Ye Assets Management Company Limited* ("Citic Zheng Ye")	Incorporated	PRC	24% (31 December 2019: 24%)	Assets Management

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information for the joint venture

Set out below are the summarised financial information for Citic Zheng Ye, extracted from its management accounts for the period ended 30 June 2020 and year ended 31 December 2019:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Non-current assets	10	14
Current assets	33,733	13,362
Non-current liabilities	–	–
Current liabilities	(17,869)	(1,554)
Revenue	5,864	6,427
Profit/(loss) for the period/year	4,311	(3,044)

Reconciliation of the above summarised financial information to the carrying amount of the investment in a joint venture recognised in the consolidated financial statements:

	HK\$'000	HK\$'000
Equity attributable to the owners of Citic Zheng Ye	15,874	11,822
Proportion of the Group's ownership interests	24%	24%
Carrying amount of the Group's investment in Citic Zheng Ye	3,810	2,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. INTEREST IN A JOINT VENTURE (continued)

Reference is made to the announcement of the Company dated on 19 April 2018, pursuant to which a subsidiary of the Group entered into the Cooperation Agreement with independent third parties in relation to set up Citic Zheng Ye, a joint venture private equity fund management company in the PRC. The Group is committed to contribute RMB12,000,000 (equivalent to approximately HK\$15,000,000), representing 24% of the equity interests of Citic Zheng Ye. As at 30 June 2020, the amount of approximately RMB3,000,000 (equivalent to approximately HK\$3,297,000) (31 December 2019: RMB3,000,000 (equivalent to approximately HK\$3,700,000)) was paid. The remaining balance will be settled before 1 May 2048.

11. 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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within 90 days	23,826	24,050
91 to 180 days	–	–
Over 180 days	1,430	–
Trade receivables	25,256	24,050
Prepayments and deposits	41,628	42,616
Other receivables	382,695	334,299
	449,579	400,965

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. SHARE CAPITAL

	Number of ordinary shares HK\$0.1 each Share(s)	Amount HK\$'000
Authorised:		
At 1 January 2020 (audited) and 30 June 2020 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
As 1 January 2020 (audited) and 30 June 2020 (unaudited)	3,128,278,542	312,828

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

13. BORROWINGS AND CONVERTIBLE NOTES

During the current interim period, the Group obtained new borrowings of approximately HK\$488,347,000 (six months ended 30 June 2019: approximately HK\$354,233,000), and the Group also made repayments in the amount of approximately HK\$306,030,000 (six months ended 30 June 2019: approximately HK\$328,970,000).

As at 30 June 2020, the borrowings bear interest at 5.46% to 22% per annum (31 December 2019: 5.46% to 22% 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 2020, the carrying amount of the liability component of the convertible notes was HK\$383,139,000 (31 December 2019: HK\$373,102,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. **BORROWINGS AND CONVERTIBLE NOTES** (continued)

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 CFIL, would be decreased from 23.62% to 18.52% and decreased from 22.32% to 17.49% respectively.

The diluted loss per share for the period ended 30 June 2020 assuming all outstanding 2022 Notes being converted was HK\$2.00 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 prices as at 30 June 2020 would be equally financially advantageous for the securities holders to convert or redeem the convertible securities were HK\$0.51 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. PROMISSORY NOTE

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
At beginning of the period/year	357,385	–
Issued at fair value	–	356,409
Interest charged (<i>note 4</i>)	6,438	5,936
Interest payable	(5,408)	(4,960)
	358,415	357,385

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within 90 days	1,578	4,020
91 to 180 days	–	182
Over 180 days	40,234	41,564
Trade payables	41,812	45,766
Interest payables	67,150	56,842
Accrued expenses and other tax payable	9,489	8,928
Consideration payables for acquisition of subsidiaries	2,515	2,515
Other payables	30,571	55,183
	151,537	169,234

The consideration payables represent the amount payable for acquisition of subsidiaries and additional interests in subsidiaries.

Trade payables principally comprise of amounts outstanding for purchase of 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 2020

16. 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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Inventory of properties together with relevant land use rights situated in the PRC	124,489	127,286
Investment properties situated in the PRC	1,074,225	1,127,720
	1,198,714	1,255,006

17. CONTINGENT LIABILITIES AND COMMITMENTS

- (a) As at 30 June 2020, the Group had capital commitments in respect of its investment in a joint venture, contracted but not provided in the condensed consolidated financial statements, amounting to approximately RMB9,000,000, equivalent to approximately HK\$9,890,000 (31 December 2019: RMB9,000,000, equivalent to approximately HK\$10,112,000).
- (b) The Group has not recognised any deferred income for the guarantees given in respect of borrowing and other banking facilities as their fair value cannot be reliably measured and the number of transaction was minimal.
- (c) As at 30 June 2020, a subsidiary was exposed to litigations in relation to joint and several guarantees provided to certain financial institutions and independent third parties regarding loans and the interest thereon totalling approximately RMB615,000 (equivalent to approximately HK\$676,000) (31 December 2019: RMB615,000 (equivalent to approximately HK\$691,000)) granted to certain independent third parties. The guarantees will be released after the full repayment of the loan and interest thereon. The Group has reached an agreement with other joint guarantors and the lenders that the other joint guarantors are committed to bear the loans and the interest. Therefore, the directors consider the risk to the Company is remote and does not affect the operation of the group.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 30 June 2020 and 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business and started to dedicate to the infrastructure business since late 2014. 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 2020 ("Current Period"), The Group's revenue from property development business amounted to approximately HK\$8.0 million, compared with same period in 2019 of approximately HK\$2.3 million. Aggregate gross floor area (the "GFA") sold for the current period was 684.63 square meters ("sq.m.") (six months ended 30 June 2019: 159.29 sq.m.) and average selling price (the "ASP") was approximately HK\$11,685 per sq.m. (six months ended 30 June 2019: HK\$14,439 per sq.m.).

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 2020, 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 2020, the occupancy rate of Future city was approximately 94% (30 June 2019: 84%).

Hangzhou Mei Lai Commercial Property Management Company Limited was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. The commercial part has approximately 55,980.22 sq.m. with car park included. As at 30 June 2020, the total leasable area is 37,414.79 sq.m.. Mei Lai International Centre is located in new Central Business District in Yuhang district of Hangzhou and adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, it is expected that Mei Lai International Centre can meet the increasing needs from residential and office customers nearby.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group completed the acquisition of the entire issued share capital of Precious Palace Enterprises Limited (“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 square meters 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.

As at 30 June 2020, the aggregate fair value of the Future City and the commercial part of Mei Lai International Centre and Longgang Properties held by the Group was approximately HK\$2,452.7 million. During the period ended 30 June 2020, the rental income generated from the investment properties was approximately HK\$11.1 million and the average occupancy rate was around 83.5% (30 June 2019: 80.0%).

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 281 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.

During the Current Period, the revenue arising from Future City Hotel was approximately HK\$4.4 million (six months ended 30 June 2019: HK\$9.8 million) and the average occupancy rate is around 30% (six months ended 30 June 2019: 64%).

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\$6.6 million (six months ended 30 June 2019: HK\$9.3 million).

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Period decreased to approximately HK\$30.2 million (six months ended 30 June 2019: approximately HK\$47.1 million). The decrease was mainly due to a decrease in revenue from property investment business of approximately HK\$14.6 million. The Group responded to Hubei Provincial People’s Government and SASAC’s requests to aid enterprises in this difficult time and implemented measures to reduce rents and burdens. The Group have waived three months’ rent for the tenants of Future City in Wuhan.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparing the six months ended 30 June 2019 to the Current Period, revenue from property investment, hotel business and property management business decreased from approximately HK\$25.6 million to approximately HK\$11.1 million, from approximately HK\$9.9 million to approximately HK\$4.4 million and from approximately HK\$9.3 million to approximately HK\$6.6 million respectively, whereas revenue from property development business increased from approximately HK\$2.3 million to approximately HK\$8.0 million.

Cost of Sales

Cost of sales decreased from approximately HK\$19.0 million for the six months ended 30 June 2019 to approximately HK\$17.9 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 development segment of approximately HK\$5.1 million (six months ended 30 June 2019: HK\$1.4 million), property investment segment of approximately HK\$1.0 million (six months ended 30 June 2019: HK\$3.1 million), hotel business of approximately HK\$4.9 million (six months ended 30 June 2019: HK\$8.3 million) and property management segment of approximately HK\$6.8 million (six months ended 30 June 2019: HK\$6.2 million).

Gross Profit and Gross Profit Margin

The gross profit decreased from HK\$28.1 million for the six months ended 30 June 2019 to approximately HK\$12.3 million for the Current Period. The Group had a gross profit margin of 40.6% for the Current Period, as compared to 59.7% for the same period in 2019. The decrease in the gross profit margin was primarily attributable to the hotel business which suffered from a negative gross profit margin of 11% during the current period (six months ended 30 June 2019: positive gross margin of 16%).

Other Operating Income

Other operating income increased to approximately HK\$14.7 million for the Current Period from approximately HK\$4.2 million for the same period in 2019. This increase was primarily due to the increase in interest income from loans to third party of approximately HK\$4.7 million, the increase in exchange difference of approximately HK\$3.8 million and the gain on disposal of investment property of HK\$1.5 million during the Current Period.

Other Operating Expenses

Other operating expenses of the Group decreased from approximately HK\$3.0 million for the six months ended 30 June 2019 to approximately HK\$44,000 in 2020, primarily due to the decrease in compensation paid to the tenants during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK\$57.0 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 gain of approximately HK\$6.4 million for the six months ended 30 June 2019.

Selling and Distribution Expenses

The selling and distribution expenses decreased to approximately HK\$1.6 million for the Current Period from approximately HK\$2.1 million for the same period in 2019, primarily due to the decrease in advertising and promotion, and commission expenses for property sales.

Administrative Expenses

The administrative expenses comprises of staff cost of approximately HK\$12.1 million, depreciation of property, plant and equipment and right-of-use assets of approximately HK\$1.9 million, legal and professional fee of approximately HK\$3.8 million and entertainment and travelling expenses of approximately HK\$1.0 million. The administrative expenses decreased to approximately HK\$22.7 million for the Current Period from approximately HK\$30.3 million for the same period in 2019, primarily due to the decrease in administrative expenses related to property development projects in the Current Period.

Finance Costs

The finance costs increased to approximately HK\$57.4 million for the Current Period from approximately HK\$51.7 million for the same period in 2019 due to the increase in effective interest expenses on convertible notes and imputed interest on promissory note.

Income Tax Credit (Expenses)

The income tax credit for the Current Period was approximately HK\$14.3 million (six months ended 30 June 2019: income tax expenses of approximately HK\$2.4 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 2020 amounted to approximately HK\$93.7 million (six months ended 30 June 2019: approximately HK\$51.2 million). The increase was mainly attributable to the increase 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 2020, total bank balances and cash of the Group amounted to approximately HK\$92.9 million (31 December 2019: HK\$21.2 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2020, the Group's total debts included borrowings of approximately HK\$1,054.8 million (31 December 2019: HK\$886.5 million), liability component of convertible notes of approximately HK\$383.1 (31 December 2019: HK\$373.1 million) and promissory notes of approximately HK\$358.4 (31 December 2019: HK\$357.4 million). Amongst the borrowings, approximately HK\$185.2 million (31 December 2019: approximately HK\$274.4 million) was repayable within one year and approximately HK\$869.6 million (31 December 2019: approximately HK\$612.1 million) was repayable after one year. The convertible notes and promissory notes are due in July 2022.

At 30 June 2020, certain inventory of properties together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK\$1,198.7 million (31 December 2019: HK\$1,255.0 million) were pledged as security for certain banking facilities granted to the Group.

Gearing Ratio

The gearing ratio was 165.6% as at 30 June 2020 (31 December 2019: 137.5%). The gearing ratio was measured by net debt (aggregated borrowings, convertible notes and promissory notes net of bank balances and cash) over the equity attributable to owners of the Company. The current ratio (current assets divided by current liabilities) was 1.66 (31 December 2019: 1.17).

OUTLOOK AND FUTURE PLAN

The outbreak of new coronavirus pneumonia (COVID-19) across the PRC in the first half of 2020, especially in Wuhan, has challenged the Group's hotel business and real estate business. PRC government imposed a complete lockdown in the hardest-hit provinces, including Hubei where the Group's operations are located, for nearly two months, thus posting negative impact to the Group's performance. The Group has provided some rent concession measures to certain tenants to ease their financial burden during these difficult times

Our Group believes that the worst of the COVID-19 pandemic in China is over, and the Chinese economy will slowly recover over the latter half of the year. But as there are more and more uncertainties in the wider scheme of things both domestically and abroad, there will still be burdens to economic growth. The Group maintains a long-term focus and is optimistic about our prospects. We will unswervingly implement our strategic initiatives to enhance our business.

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 2020, 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 2020

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Li Chao Bo	Beneficial owner	(1)	738,992,000	23.62%
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 and Asia Unite Limited which in turn owns 728,912,000 shares and 10,080,000 shares of the Company respectively. 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 from 31 May 2018 to 17 December 2019.
- (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 2020, 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 period.

Category	Date of grant	Exercise price (/HK\$)	Exercise period	Number of share options					
				As at 1 January 2020	Granted during the period	Exercised during the period	Expired during the period	Lapsed during the period	As at 30 June 2020
Directors/Employees/Consultants	29/05/2013	0.64	29/05/2013 to 28/05/2023	3,000,000	-	-	-	-	3,000,000
Employees/Consultants	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 2019 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 has 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 Scheme mandate limit, 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 22 June 2020 (the date of annual general meeting)) were available for granting by the Company as at 30 June 2020.

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 2020, 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 2020

Name of substantial Shareholder	<i>Notes</i>	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	196,735,429	6.29%
Capital Focus Asset Management Limited	(4)	Investment manager	196,735,429	6.29%
Li Li Hong	(5)	Beneficial owner	200,000,000	6.39%

(i) Long positions in the underlying shares as at 30 June 2020

Name of substantial Shareholder	<i>Notes</i>	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) He 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 2020.

CORPORATE GOVERNANCE

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

During the six months ended 30 June 2020, 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 had convened when the circumstances required, which has given the sufficient notice to all directors and validly convened pursuant to the articles of association (the “Articles”) of the Company.

(2) 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules (as 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 six months ended 30 June 2020.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the total number of employees stood at approximately 215 (30 June 2019: 235). Total staff costs for the period under review was approximately HK\$14.6 million (six months ended 30 June 2019: approximately HK\$16.7 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 six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2020, 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 2020.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the Period up to the date of this report.

OTHER INFORMATION

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 six months ended 30 June 2020.

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.