



ART GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 565)

INTERIM REPORT 2022



Corporate Information

BOARD OF DIRECTORS

Mr. Chen Jinyan (*Chairman*)
Mr. Chen Jindong (*Chief Executive Officer*)
Mr. Kwan Chi Fai*
Mr. Lin Ye*
(retired on 15 October 2022)
Ms. Chong Sze Pui Joanne*
Ms. Wang Yuqin*

* *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

3rd 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
3rd 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
17th Floor, Far East Finance Centre
16 Harcourt Road
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 35, which comprise the condensed consolidated statement of financial position as of 31 December 2022 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

Ms. Chow Ka Li

Practising Certificate number: P07809

10th Floor

8 Observatory Road

Tsim Sha Tsui,

Kowloon, Hong Kong

28 February 2023

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 2022 (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 2021 are as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

		Six months ended 31 December	
	<i>NOTES</i>	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Continuing operations			
Revenue	3	74,788	94,447
Cost of sales		(18,662)	(18,321)
Gross profit		56,126	76,126
Other income		17,599	20,815
Administrative expenses		(13,067)	(11,446)
Impairment loss on rental deposits		(35,788)	–
Impairment loss on loan receivable		(28,866)	–
Loss on fair value changes on investment properties		(483,146)	(3,614)
Finance costs	4	(22,275)	(23,661)
(Loss)/profit before taxation		(509,417)	58,220
Income tax credit/(expense)	5	118,266	(13,760)
(Loss)/profit for the period from continuing operations	6	(391,151)	44,460
Discontinued operation			
Loss for the period from discontinued operation	8	–	(10,476)
(Loss)/profit for the period		(391,151)	33,984

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

	Six months ended 31 December	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Other comprehensive (expense)/income: <i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	(40,982)	21,846
Other comprehensive (expense)/income for the period, net of income tax	(40,982)	21,846
Total comprehensive (expense)/income for the period	(432,133)	55,830
(Loss)/profit for the period attributable to owners of the Company:		
– From continuing operations	(391,151)	35,734
– From discontinued operation	–	(10,263)
(Loss)/profit for the period attributable to owners of the Company	(391,151)	25,471
Profit for the period attributable to non-controlling interests:		
– From continuing operations	–	8,726
– From discontinued operation	–	(213)
Profit for the period attributable to non-controlling interests	–	8,513
	(391,151)	33,984

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

		Six months ended 31 December	
	NOTES	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Total comprehensive (expense)/income for the period attributable to:			
– Owners of the Company		(432,133)	45,161
– Non-controlling interests		–	10,669
		<u>(432,133)</u>	<u>55,830</u>
Total comprehensive (expense)/income for the period attributable to owners of the Company:			
– From continuing operations		(432,133)	55,803
– From discontinued operation		–	(10,642)
		<u>(432,133)</u>	<u>45,161</u>
(LOSS)/EARNINGS PER SHARE	9		
From continuing and discontinued operations			
Basic (HK cents)		(14.55)	0.95
Diluted (HK cents)		(14.55)	0.95
From continuing operations			
Basic (HK cents)		(14.55)	1.33
Diluted (HK cents)		(14.55)	1.33
From discontinued operation			
Basic (HK cents)		–	(0.38)
Diluted (HK cents)		–	(0.38)

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

		31 December 2022	30 June 2022
	<i>NOTES</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,562	3,786
Right-of-use assets		4,604	5,336
Investment properties	10	1,292,045	1,843,529
Rental deposits		146,862	186,623
		1,447,073	2,039,274
CURRENT ASSETS			
Trade and other receivables	11	39,855	22,949
Loan receivable	12	163,572	213,709
Bank balances and cash		9,298	21,526
		212,725	258,184
CURRENT LIABILITIES			
Other payables	13	62,400	43,656
Contract liabilities		5,559	9,881
Lease liabilities	14	92,862	88,808
Amount due to a substantial shareholder		1,617	47,496
Bonds	15	15,341	15,341
Tax liabilities		2,208	2,621
		179,987	207,803
NET CURRENT ASSETS			
		32,738	50,381
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,479,811	2,089,655

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	<i>NOTES</i>	31 December 2022 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	16	26,888	26,888
Reserves		553,403	985,536
TOTAL EQUITY		580,291	1,012,424
NON-CURRENT LIABILITIES			
Lease liabilities	14	837,150	887,292
Deferred tax liabilities		51,360	179,936
Bonds	15	11,010	10,003
		899,520	1,077,231
		1,479,811	2,089,655

Condensed Consolidated Statement of Changes In Equity

For the six months ended 31 December 2022

	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			
As 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	-	-	-
As 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
As at 1 July 2022 (audited)	26,888	48,746	136	(30,072)	5,557	1,232	959,937	1,012,424	-	1,012,424
Loss for the period	-	-	-	-	-	-	(391,151)	(391,151)	-	(391,151)
Other comprehensive expense for the period										
- Exchange difference on translation from functional currency to presentation currency	-	-	-	(40,982)	-	-	-	(40,982)	-	(40,982)
Total comprehensive expense for the period	-	-	-	(40,982)	-	-	(391,151)	(432,133)	-	(432,133)
Forfeiture of share options under employee share option scheme	-	-	-	-	(155)	-	155	-	-	-
As at 31 December 2022 (unaudited)	26,888	48,746	136	(71,054)	5,402	1,232	568,941	580,291	-	580,291

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

	Six months ended December 31	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Net cash generated from operating activities	21,294	336,216
Cash flows from investing activities		
Purchases of property, plant and equipment	–	(4,632)
Purchase of right-of-use assets	–	(4,308)
Advance to loan receivable	–	(259,036)
Repayment from loan receivable	22,472	307,229
Interest received	17	3,372
Net cash outflow from disposal of subsidiaries	–	(46)
Net cash generated from investing activities	22,489	42,579
Cash flows from financing activities		
Acquisition of non-controlling interests without a change in control	–	(182,440)
Advance from a substantial shareholder	3,482	–
Repayment to a substantial shareholder	(48,569)	(21,460)
Repayments of lease liabilities	(489)	(546)
Repayments of bond	–	(9,000)
Interest paid	(9,863)	(88)
Net cash used in financing activities	(55,439)	(213,534)
Net (decrease)/increase in cash and cash equivalents	(11,656)	165,261
Effect of foreign exchange rate changes	(572)	6,738
Cash and cash equivalents at the beginning of the period	21,526	16,693
Cash and cash equivalents at the end of the period, represented by bank balances and cash	9,298	188,692

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certificated 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 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 30 June 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 July 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the Group’s condensed consolidated financial statements 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 year; and (ii) property management and related services fee received and receivable.

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Revenue from major business services:		
<i>Revenue within the scope of HKFRS 16</i>		
Rental income from leasing of properties	30,657	37,407
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Property management fee income	43,441	55,293
Property management – other related services	690	1,747
	44,131	57,040
	74,788	94,447
Disaggregated by timing of revenue recognition:		
<i>Over time:</i>		
Property management fee income	43,441	55,293
Property management – other related services	690	1,747
	44,131	57,040

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Performance obligations for revenue from contracts with customers

(i) *Property management fee*

Property management fee is recognised over the service period. The Group receives monthly property management fee payments from customers one to three months in advance under the contracts. Advance consideration allocated to the properties management services is recognised as a contract liability and is released over the period of services.

Segment information

Information reported to the board of directors, 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.

Prior to the period ended 30 June 2022, the management of the Company has determined that the Group has two operating segments as the Group is engaged in the property operating and biotechnology businesses, which is the basis used by the CODM. From a product perspective, the management assesses the performance from property operating and biotechnology segments.

During the period ended 31 December 2021, the biotechnology segment was discontinued due to the disposal of relevant subsidiaries.

Subsequent to the discontinuation of the biotechnology segment, there is only one single reportable segment for the Group, which is the property operating segment operated in the People’s Republic of China (the “PRC”). The segment information reported does not include any amounts for this discontinued operation, which is described in details in note 8.

Segment results represent profit or loss from the segment without allocation of income tax credit/(expense), loan interest income, impairment loss on loan receivable and unallocated administrative expenses.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

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 2022 (six months ended 31 December 2021: One). The total amount of revenue from this tenant was HK\$10,830,000 (six months ended 31 December 2021: HK\$17,272,000).

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 2022 **Continuing operations**

	Property operating HK\$'000
Revenue	<u>74,788</u>
Segment result	(483,471)
Income tax credit	118,266
Loan interest income	8,967
Impairment loss on loan receivable	(28,866)
Unallocated administration expenses	<u>(6,047)</u>
Loss for the period from continuing operations	<u>(391,151)</u>

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Six months ended 31 December 2022	Property operating	Unallocated	Total
Continuing operations	HK\$'000	HK\$'000	HK\$'000
<i>Amounts included in the measure of segment profit or loss</i>			
Interest income	16	1	17
Interest expenses	(21,226)	(1,049)	(22,275)
Loss on fair value changes of investment properties	(483,146)	–	(483,146)
<i>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss</i>			
Depreciation of property, plant and equipment	(91)	(2)	(93)
Depreciation of right-of-use assets	(99)	(493)	(592)
	<u>(99)</u>	<u>(493)</u>	<u>(592)</u>

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Six months ended 31 December 2021	Property operating HK\$'000
Continuing operations	
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)*

Six months ended 31 December 2021 Continuing operations	Property operating HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>Amounts included in the measure of segment profit or loss</i>			
Interest income	2,861	307	3,168
Interest expenses	(22,563)	(1,098)	(23,661)
Loss on fair value changes of investment properties	(3,614)	–	(3,614)
<i>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss</i>			
Depreciation of property, plant and equipment	–	(37)	(37)
Depreciation of right-of-use assets	–	(583)	(583)
Additions to non-current assets	<u>8,940</u>	<u>1,971</u>	<u>10,911</u>

No geographical market analysis is provided as the Group's revenue and contribution to segment results were substantially derived from the tenants in the PRC and the assets are substantially located in the PRC.

4. FINANCE COSTS

	Six months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Continuing operations		
Interest on		
– Bonds	1,006	1,072
– Lease liabilities	<u>21,269</u>	<u>22,589</u>
	<u>22,275</u>	<u>23,661</u>

5. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Continuing operations		
<i>Income tax recognised in profit and loss</i>		
PRC Enterprise Income Tax (“EIT”)		
– Current income tax	2,521	14,664
Deferred tax	<u>(120,787)</u>	<u>(904)</u>
	<u>(118,266)</u>	<u>13,760</u>

5. INCOME TAX CREDIT/(EXPENSE) (Continued)

Hong Kong Profits Tax was calculated at 16.5% (six months ended 31 December 2021: 16.5%) of the estimated assessable profit 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 2022, no deferred tax liabilities (30 June 2022: 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. (LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	93	37
Depreciation of right-of-use assets	598	583
Expenses related to short-term leases in respect of rented premises	–	51
Exchange losses, net	2,724	458
	<hr/>	<hr/>

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period nor has any dividend been proposed since the end of the interim period (six months ended 31 December 2021: Nil).

8. DISCONTINUED OPERATION

During the period ended 31 December 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in City Charm International Limited and its subsidiaries (the “Disposal Group”) that carried out all of the Group’s biotechnology operation. The disposal was completed on 22 November 2021, on which date the Group lost control of the Disposal Group. The Group’s biotechnology operation is treated as discontinued operation.

The loss for the period ended 31 December 2021 from the discontinued biotechnology operation 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 re-present the biotechnology operation in the PRC as a discontinued operation.

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

8. DISCONTINUED OPERATION *(Continued)*

The results of the biotechnology operation in the PRC for the preceding interim period were as follows:

	Period ended 22 November 2021 HK\$'000 (unaudited)
Revenue	–
Cost of sales	–
	<hr/>
Gross profit	–
Other income	243
Administrative expenses	(1,394)
Finance costs	(154)
	<hr/>
Loss before taxation	(1,305)
Income tax expense	–
	<hr/>
Loss for the period	(1,305)
	<hr/>

8. DISCONTINUED OPERATION *(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 a subsidiary:</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:	
	Period ended 22 November 2021 HK\$'000 (unaudited)
Net cash flows from operating activities	31,002
Net cash flows from investing activities	—
Net cash flows from financing activities	<u>(31,030)</u>
Net cash flows	<u>(28)</u>

* less than HK\$1,000

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

From continuing operations

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

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/profit for the period of calculating basic and diluted (loss)/earnings per share from continuing operations	(391,151)	35,734

	Six months ended 31 December	
	2022	2021
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,688,805	2,688,805
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	394	1,930
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,689,199	2,690,735

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

From discontinued operation

Basic loss per share for the discontinued operation for the six months ended 31 December 2021 was HK0.38 cents per share and diluted loss per share for the discontinued operation was HK0.38 cents per share, based on the loss for the period from the discontinued operation of approximately HK\$10,263,000 and the denominators detailed above for both basic and diluted loss per share.

10. INVESTMENT PROPERTIES

The Group leases the shopping mall from landlord and sub-leases out retail store to other third parties under operating leases with rentals payable monthly/quarterly. Such shopping malls are initially recognized as right-of-use assets included in the financial line item “Investment properties” at cost in accordance with HKFRS 16. Subsequently, they are measured at fair value in accordance with HKAS 40. 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.

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Fair value		
Balance at the beginning of the period/year	1,843,529	2,050,602
Loss on fair value changes on investment properties	(483,146)	(162,651)
Exchange realignment	(68,338)	(44,422)
	<hr/>	<hr/>
Balance at the end of the period/year	<u>1,292,045</u>	<u>1,843,529</u>

10. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties as at 31 December 2022 and 30 June 2022 has been arrived at on the basis of a valuation carried out at the end of the year 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 under various terms.

The Group as lessor

Property rental income, management fee income and operating service income earned during the period were HK\$74,788,000 (six months ended 31 December 2021: HK\$94,447,000). All properties have committed tenants of which the remaining lease period ranged from the next 30 days to 12 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:

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Within one year	63,210	66,050
In the second to fifth years inclusive	159,977	170,753
Over five years	188,111	200,788
	411,298	437,591

11. TRADE AND OTHER RECEIVABLES

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Trade receivables	19,339	11,036
Prepayment	1,636	1,185
Other receivables	18,880	10,728
	<hr/> 39,855 <hr/>	<hr/> 22,949 <hr/>

As at 31 December 2022 and 30 June 2022, all trade receivables of the Group were in the functional currency of the relevant group entities.

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

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
0-60 days	9,424	7,196
61-90 days	1,533	1,449
Over 90 days	8,382	2,391
	<hr/> 19,339 <hr/>	<hr/> 11,036 <hr/>

11. 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 assessed individually. Given the Group has not experienced any significant credit losses in the past and holds 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. 49% (30 June 2022: 65%) of trade receivables that are neither past due nor impaired have good credit rating under internal credit assessment adopted by the Group.

12. LOAN RECEIVABLE

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Gross carrying amount of loan and interest receivable, net of exchange difference	241,831	264,507
Less: Provision for impairment loss	(78,259)	(50,798)
	163,572	213,709

On 28 April 2021, the Group entered into an agreement with an independent third party A (the “Borrower A”) to borrow RMB250,000,000 (equivalent to HK\$294,118,000). The amount was interest-bearing at 7.500% per annum and due on 27 April 2022. The amount was secured by 25% equity interests of Zhengzhou Jiachao Property Services Co., Ltd.* (“Zhengzhou Jiachao”) and 25% equity interests of Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* (“Zhongyuan Jinyi”) both held by a former non-controlling shareholder of a subsidiary over loan receivable. Loan receivable is fully guaranteed by a former non-controlling shareholder of a subsidiary of the Group.

* *For identification only*

12. LOAN RECEIVABLE *(Continued)*

On 19 November 2021, the Group entered into the first supplemental agreement with the Borrower A, the existing guarantor and a new guarantor. Pursuant to which, the principal amount of loan receivable was revised from RMB250,000,000 (equivalent to HK\$294,118,000) to RMB210,000,000 (equivalent to HK\$253,012,000) and the share charged over the 25% equity interests of Zhongyuan Jinyi held by a former non-controlling shareholder of a subsidiary was released. In addition, the Group received RMB40,000,000 (equivalent to HK\$48,193,000) of principal and the interest receivables remained outstanding.

On 29 June 2022, the Group and the Borrower A entered into the second supplemental agreement to (i) extend the maturity date of loan receivable and agree to repay the outstanding into three instalments. The last instalment will be due on 27 April 2023; and (ii) revise the interest rate of loan receivable to 4.785% per annum effective from 28 April 2022 and up to and including 27 April 2023.

As at 31 December 2022, loan receivable with gross principal amount of HK\$209,484,000 (30 June 2022: HK\$240,407,000) in aggregate and related gross interest receivables of HK\$32,347,000 (30 June 2022: HK\$24,100,000) were due from the Borrower A. This loan is interest-bearing at a rate of 4.785% (30 June 2022: 4.785%) per annum and was repayable within twelve months from the end of the reporting period and therefore was classified as current assets as at 31 December 2022. The effective interest rate is 7.50% (31 December 2021: 7.50%) per annum.

As at 31 December 2022, the Group held collateral of 25% equity interests of Zhengzhou Jiachao, a former subsidiary of the Company (30 June 2022: 25% equity interests of Zhengzhou Jiachao held by a former non-controlling shareholder of a subsidiary) over loan receivable with gross principal amount of HK\$209,484,000 (30 June 2022: HK\$240,407,000) and interest receivable of HK\$32,347,000 (30 June 2022: HK\$24,100,000). Loan receivable is fully guaranteed by a former non-controlling shareholder of a subsidiary and an independent third party of the Group. Impairment loss of HK\$28,866,000 (30 June 2022: HK\$51,551,000) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2022.

12. LOAN RECEIVABLE *(Continued)*

The principal amount of RMB90,000,000 (equivalent to HK\$102,273,000) has matured subsequent to the reporting period but not yet settled up to the date of this report.

Loan receivable is denominated in RMB, the functional currency of the relevant group entities.

The movements in the ECL for loan receivable are as follows:

	Stage 1	Stage 2	
	12m ECL	Lifetime ECL	Total
	HK\$'000	(not credit- impaired)	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2021	471	–	471
ECL recognised for the year	–	51,551	51,551
Transfer to lifetime ECL (not credit-impaired)	(471)	471	–
Exchange realignment	–	(1,224)	(1,224)
	<hr/>	<hr/>	<hr/>
As at 30 June 2022	–	50,798	50,798
ECL recognised for the period	–	28,866	28,866
Exchange realignment	–	(1,405)	(1,405)
	<hr/>	<hr/>	<hr/>
As at 31 December 2022	<hr/> –	<hr/> 78,259	<hr/> 78,259

12. LOAN RECEIVABLE *(Continued)*

Reconciliation of gross carrying amount for loan receivable and interest receivable for the six months ended 31 December 2022 and the year ended 30 June 2022 are as follow:

	31 December 2022 HK'000	30 June 2022 HK'000
As at 1 July 2021/30 June 2022 (audited)	264,507	305,165
New loan originated	–	259,036
Repayment	(22,472)	(307,229)
Interest receivable	8,967	20,924
Interest received	–	(204)
Modification loss	–	(6,812)
Exchange realignment	(9,171)	(6,373)
	<hr/>	<hr/>
As at 31 December 2022 (unaudited)	241,831	264,507
	<hr/>	<hr/>

13. OTHER PAYABLES

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Receipts in advance	30,648	11,339
Deposits received from tenants	27,083	27,488
Accrued charges and other payables	4,666	4,814
Dividend payable	3	15
	<hr/>	<hr/>
	62,400	43,656
	<hr/>	<hr/>

14. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Current	92,862	88,808
Non-current	837,150	887,292
	930,012	976,100
– within one year	92,862	88,808
– more than one year but not more than two years	76,243	79,197
– more than two years but not more than five years	217,855	221,894
– more than five years	543,052	586,201
	930,012	976,100
Amounts due for settlement within one year (shown under current liabilities)	(92,862)	(88,808)
Amounts due for settlement after one year (shown under non-current liabilities)	837,150	887,292

The weighted average incremental borrowing rates applied to lease liabilities from 4.71% to 8.45% (30 June 2022: 4.71% to 8.45%).

15. 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 2021: 8.05%) per annum. The bonds were extended for one year pursuant to the supplemental deed dated 28 December 2021. The bonds were further extended for one year pursuant to the supplemental deed dated 6 February 2023. Subsequent to the current reporting period, the bond of HK\$5,340,000 was fully settled up to the date of this report.

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 2021: 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 2021: 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 year ended 30 June 2022.

15. BONDS *(Continued)*

The movements of the liability component of the Group's bonds during the six months ended 31 December 2022 are as follows:

	HK\$'000
As at 30 June 2021 (audited)	34,352
Repayment of bond	(9,000)
Effective interest charged for the year	2,080
Coupon interest paid/payable	<u>(2,088)</u>
As at 30 June 2022 and 1 July 2022 (audited)	25,344
Effective interest charged for the period	<u>1,007</u>
As at 31 December 2022 (unaudited)	<u>26,351</u>

16. SHARE CAPITAL

	31 December 2022 HK'000 (unaudited)	30 June 2022 HK'000 (audited)
Authorised:		
5,000,000,000 ordinary shares with HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
2,688,805,163 ordinary shares with HK\$0.01 each	<u>26,888</u>	<u>26,888</u>

17. 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:

	Number of share options	
	2022	2021
	'000	'000
Outstanding as at 1 July (audited)	28,930	111,560
Granted during the period	–	–
Exercised during the period	–	–
Forfeited during the period	(2,080)	(28,930)
	<hr/>	<hr/>
Outstanding as at 31 December (unaudited)	26,850	82,630
	<hr/>	<hr/>

18. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other benefits	1,790	1,969
Retirement benefit scheme contributions	24	18
	<hr/>	<hr/>
	1,814	1,987
	<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.

19. EVENT AFTER THE REPORTING PERIOD

Saved as disclosed in elsewhere of this condensed consolidated financial statements, there are no other significant events after the reporting period that are 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. The principal activity of Zhongyuan Jinyi is property operating business. During the six months ended 31 December 2021, the Company acquired 25% equity interests of Zhongyuan Jinyi. After completion, Zhongyuan Jinyi became 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 service receivables from tenants under the respective tenancy agreements with a remaining term ranging from one year to 12 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, kid’s learning and restaurants. Approximately 98.9% of the lettable area in the Jiachao’s Shopping Mall was rented out to approximately 134 tenants as at 31 December 2022. 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 eight years. As at 31 December 2022, approximately 91.1% 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 105 tenants including a cinema, an aquarium, jewelries, beauty shops, car sales, international labels for fashion, fitness, lifestyle, casual wear/sport, kid’s paradise, kid’s learning 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 are 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 six months ended 31 December 2021, the Group disposed of the 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, the Board determined to discontinue the operation of this segment in order to stop incurring further costs.

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 million for a term of 12 months from the drawdown date at an interest of 7.5% per annum. During the year ended 30 June 2022, the principal amount was revised to RMB210 million, as well as the interest of 4.785% per annum. 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 guarantors. On 29 June 2022, the parties agreed to extend the repayment date of the loan to 27 April 2023 (the “Renewed Loan”). Before extending the Renewed Loan, the Company has performed certain works to assess the credit risk and repayment ability of the Borrower and the guarantors and such works included (i) obtained and reviewed the latest management accounts of the Borrower then available; (ii) understood the updated business, operation and forecast of the Borrower; (iii) obtained and reviewed certain current business contracts of the Borrower and the guarantors; and (iv) conducted updated background and corporate searches of the Borrower and the guarantors. As at 28 February 2023, the Group had not received the second payment of the Renewed Loan of RMB90 million, which became due on 31 January 2023. Please also refer to the announcements of the Company dated 28 April 2021, 13 May 2021, 19 November 2021, 27 May 2022, 29 June 2022 and 23 February 2023, as well as the circular of the Company dated 12 August 2022 for details.

The COVID-19 epidemic spreads across the globe starting from the beginning of 2020, since then, the situation around the world continues to change rapidly. The Board agrees that the Group's business has been impacted by the closure of the shopping malls and controls of the epidemic to a significant extent during the Period. The Group had supported more than 235 tenants (2021: 15 tenants) of the Jiachao's Shopping Mall and the Zone C Shopping Mall (including kiosks and booths of trendy and stylish items) who were affected by the epidemic by reducing their rental, management and operating service charges on different bases throughout the Period with an aggregated amount of approximately HK\$32,634,000 (2021: HK\$1,031,000). The Group sees cost reduction as a key strategic focus to help navigate business uncertainty resulting from the COVID-19 epidemic. 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\$74,788,000 (2021: HK\$94,447,000), approximately 20.8% less than that in 2021. 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. Decrease in revenue during the Period was due to a reduction of rental, management and operating service charges granted to more than 235 tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall (including kiosks and booths of trendy and stylish items) who were affected by the epidemic (2021: 15 tenants) on different bases with an aggregated amount of approximately HK\$32,634,000 (2021: HK\$1,031,000).

Gross Profit

The gross profit margin was approximately 75.0% for the Period (2021: 80.6%). 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. Decrease in gross profit margin was due to decrease in revenue as a result of a reduction of rental, management and operating service charges granted to more than 235 tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall who were affected by the epidemic during the Period.

Loss for the Period

The Group's loss incurred for the Period was approximately HK\$391,151,000 (profit in 2021: HK\$44,460,000). The loss margin was 523.0% for the Period (profit margin in 2021: 47.1%). Both decreased significantly for the six months ended 31 December 2022 mainly because of a substantial decrease in fair value of the Group's investment properties, the Jiachao's Shopping Mall and the Zone C Shopping Mall, of approximately HK\$483,146,000 (2021: HK\$3,614,000) as a consequence of mandatory closure of the two shopping malls due to the COVID-19 epidemic regulatory policies for the period from October to November 2022.

Other Income

Other income for the six months ended 31 December 2022 was approximately HK\$17,599,000 (2021: HK\$20,815,000), which comprised other kinds of incomes generated from property operating segment, such as car parking fees and other services provided to tenants. Decrease in other income was due to mandatory closure of the Jiachao's Shopping Mall and the Zone C Shopping Mall as a result of the COVID-19 epidemic regulatory policies for the period from October to November 2022.

Expenses

Administrative expenses amounted to approximately HK\$13,067,000 (2021: HK\$11,446,000), representing approximately 17.5% (2021: 12.1%) of revenue for the six months ended 31 December 2022. Administrative expenses increased by approximately 14.2% mainly because there was a depreciation of RMB, the functional currency of the Company, during the Period.

Impairment loss on loan receivable amounted to approximately HK\$28,866,000 (2021: Nil) for the Period. The material increase was because the loan had been extended one more year after its initial maturity date on 27 April 2022, which in turn increased its credit risk to a certain extent.

The impairment loss was estimated based on the expected credit loss ("ECL") assessment prepared by an independent valuer engaged by the Group. The ECL of loan receivable was estimated with three parameters, namely Exposure at Default ("EAD"), Probability of Default ("PD"), and Loss Given Default ("LGD").

EAD is based on the discounted loan receivable at amortised cost of the Group. PD is estimated with reference to the credit rating analysis of the Borrower and the latest financial performance of the Borrower, and further adjusted with the forward-looking factor. The valuer concluded that the credit rating of the Borrower for the six months ended 31 December 2022 was worse than that for the six months ended 31 December 2021, based on the credit rating analysis of the Borrower with consistent method across the period. LGD is calculated by one minus recovery rate, where the recovery rate is based on the value of collateral-to-loan ratio. The fair value of the collateral provided by the guarantor based on the loan agreement was adopted to estimate the recovery rate in case the Borrower defaults.

Impairment loss on rental deposits amounted to approximately HK\$35,788,000 (2021: Nil) for the Period. The impairment loss was estimated based on the ECL assessment prepared by an independent valuer engaged by the Group. The material increase was mainly due to the seizure of some shops by certain banks and financial institutions to whom the Jiachao's Shopping Mall and the Zone C Shopping Mall were pledged by their respective owner, which in turn increased the credit risk to a certain extent. Nevertheless, the two shopping malls, including the subject shops, operated normally as at the date of reporting.

The carrying value of the Group's investment properties, the Jiachao's Shopping Mall and the Zone C Shopping Mall, as at 31 December 2022 of approximately HK\$1,292,045,000 (30 June 2022: HK\$1,843,529,000) 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\$483,146,000 (2021: 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 on investment properties of approximately HK\$362,360,000 (2021: HK\$2,711,000), after deducting related deferred tax liabilities, was debited to the condensed consolidated income statement. Decrease in the carrying value was due to the COVID-19 epidemic spreading across the globe since the beginning of 2020, causing the carrying value of the investment properties continue to drop. In 2022, COVID-19 pandemic was across China, it reduced the consumption growth. As a result, the commercial rental performance decreased. Since the end of December 2022, the consumer market has shown signs of recovery, and the passenger flow of physical businesses has rebounded. The directors believe the carrying value should improve in 2023.

Finance costs amounted to approximately HK\$22,275,000 (2021: HK\$23,661,000), representing approximately 29.8% (2021: 25.1%) of revenue for the six months ended 31 December 2022. Finance costs were maintained at the similar level for the six months ended 31 December 2021 and 31 December 2022.

Dividend

The Board does not recommend the payment of an interim dividend for the Period (2021: Nil).

Discontinued Operation

Loss for the Period

The discontinued operation had no revenue and loss for the Period because the biotechnology segment was disposed of during the six months ended 31 December 2021. Loss for the six months ended 31 December 2021 from discontinued operation was approximately HK\$10,476,000 and no revenue was generated because no CBD production approval license was granted from the PRC regulatory body. Thus the commercial production had not yet been commenced.

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 six months ended 31 December 2021 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 of 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 income 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 keeps changing during the time of the epidemic. 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 post-pandemic period. 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 and alleviate the financial pressure on the property operating business by imposing control over operating costs and capital expenditures and strengthening accounts receivable management. In addition, adapting to a new normal, corporate resilience is essential to harness new opportunities while recovering quickly from unprecedented shocks during the post-pandemic period.

The PRC Government started to lift lockdowns and relax control restrictions at the beginning of 2023. The Board believes that the reopen will bring positive effects in the economic resurgence in the coming year. The demand for goods and services will recover and a surge in prices will accelerate; especially household consumption. The sales and customer flow of the shopping malls will gradually restore in the future. The confidence of tenants increases with this anticipated steady growth; hence the Group will no longer need to provide rental reduction to the tenants.

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, as well as the effectiveness of the Regional Comprehensive Economic Partnership from January 2022. By continually capturing opportunities for expansion and 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 2022, the Group had net current assets and total assets less current liabilities of approximately HK\$32,738,000 (30 June 2022: HK\$50,381,000) and HK\$1,479,811,000 (30 June 2022: HK\$2,089,655,000), 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 2022, the Group had cash and bank deposits of approximately HK\$9,298,000 (30 June 2022: HK\$21,526,000). The current ratio of the Group was approximately 118.2% (30 June 2022: 124.2%).

Total equity of the Group as at 31 December 2022 was approximately HK\$580,291,000 (30 June 2022: HK\$1,012,424,000). As at 31 December 2022, four bonds (30 June 2022: four bonds) measured at amortised cost was approximately HK\$26,351,000 (30 June 2022: HK\$25,344,000) in aggregate, the gross debt gearing ratio (i.e. bonds/shareholders' fund) was approximately 4.5% (30 June 2022: 2.5%).

Though the return of funds has slowed down since 2020 as a result of the COVID-19 epidemic, 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 2022, the Group had no borrowing facilities (30 June 2022: Nil). In addition, four bonds (30 June 2022: four bonds) amounted to approximately HK\$26,351,000 (30 June 2022: HK\$25,344,000) in aggregate, measured at amortised cost, were arranged with three (30 June 2022: three) 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 2022, the share capital of the Company comprised ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the six months ended 31 December 2022, 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 2022, the Group did not pledge any assets to any banks or financial institutions (30 June 2022: Nil).

STAFF POLICY

The Group had 141 employees altogether in the PRC and Hong Kong as at 31 December 2022. 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 (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

Three independent non-executive directors are appointed by the Company for a term of one year commencing from 11 April, 19 September, 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, 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 Directors of Listed Issuers, were as follows:

Long positions

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:

- (1) 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.
- (2) 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.

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 2022.

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 2022, 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 (<i>Note</i>)	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 2022.

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 31 to the consolidated financial statements of the Company's 2022 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 1.7.2022	Granted during the Period	Exercised during the Period	Forfeited during the Period	Lapsed during the Period	Outstanding at 31.12.2022
Directors									
Mr. Lin Ye	22.5.2014	22.5.2014 to 21.5.2024	0.166	2,080,000	-	-	(2,080,000)	-	-
Employees									
	15.1.2018	15.1.2018 to 14.1.2028	0.430	26,850,000	-	-	-	-	26,850,000
Granted Total				28,930,000	-	-	(2,080,000)	-	26,850,000

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 achieving 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 Rules Governing the Listing of Securities on the Stock Exchange (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 three 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 2023