



中國城市基礎設施集團有限公司

China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2349



INTERIM REPORT

2023



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Chao Bo (*Chairman and Chief Executive Officer*)

Mr. Ji Jiaming

Non-executive Director

Mr. Zhang Guiqing

Independent non-executive Directors

Mr. Ng Chi Ho, Dennis

Mr. Kwok Kin Wa

Ms. Kwong Mei Wan, Cally

AUDIT COMMITTEE

Mr. Ng Chi Ho, Dennis

(*Committee Chairman*)

Mr. Kwok Kin Wa

Ms. Kwong Mei Wan, Cally

REMUNERATION COMMITTEE

Mr. Kwok Kin Wa (*Committee Chairman*)

Mr. Ng Chi Ho, Dennis

Ms. Kwong Mei Wan, Cally

NOMINATION COMMITTEE

Mr. Kwok Kin Wa (*Committee Chairman*)

Mr. Ng Chi Ho, Dennis

Ms. Kwong Mei Wan, Cally

COMPANY SECRETARY

Mr. Chan Hoi Yin Anthony

AUTHORISED REPRESENTATIVES

Mr. Li Chao Bo (*Chairman*)

Mr. Chan Hoi Yin Anthony

AUDITOR

Confucius International CPA Limited
Certified Public Accountants

WEBSITE

www.city-infrastructure.com

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
<i>Notes</i>		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
CONTINUING OPERATIONS			
	3	30,166	38,060
		(13,085)	(18,037)
		17,081	20,023
		1,395	(12,048)
	10	(1,166)	(39)
		1,059	2,251
		(29)	(89)
		(564)	(766)
		(25,270)	(23,236)
	4	(22,516)	(46,516)
		(30,010)	(60,420)
	5	(348)	3,012
	6	(30,358)	(57,408)
DISCONTINUED OPERATION			
	7	–	(1,047)
		(30,358)	(58,455)
Attributable to:			
		(30,358)	(57,408)
		–	(1,047)
		(30,358)	(58,455)
	9	HK cents	HK cents
			(Restated)
		(0.97)	(1.87)
		(0.97)	(1.84)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(30,358)	(58,455)
Other comprehensive expense for the period: Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operation	(40,426)	(58,815)
Total comprehensive expense for the period (net of tax) attributable to owners of the Company	(70,784)	(117,270)
Total comprehensive expenses for the period attributable to owners of the Company		
– from continuing operations	(70,784)	(115,691)
– from discontinued operations	–	(1,579)
	(70,784)	(117,270)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023 <i>HK\$'000</i> (unaudited)	31 December 2022 <i>HK\$'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,188	4,483
Investment properties	10	1,062,366	1,121,364
Right-of-use assets		14,638	16,821
		1,081,192	1,142,668
Current assets			
Inventories		14	15
Inventory of properties		151,256	155,202
Trade and other receivables	11	23,635	24,438
Promissory note receivables		52,443	62,898
Bank balances and cash		14,047	17,084
		241,395	259,637
TOTAL ASSETS		1,322,587	1,402,305
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	12	312,828	312,828
Reserves		408,852	479,636
Equity attributable to owners of the Company		721,680	792,464

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		114,058	119,607
Borrowings – due after one year	13	342,634	336,970
Deposits received for lease of properties		6,037	5,381
Lease liabilities – due after one year		–	1,420
		462,729	463,378
Current liabilities			
Trade and other payables	14	38,281	41,304
Contract liabilities		1,200	1,170
Deposits received for lease of properties		5,248	5,448
Tax payable		61,603	65,103
Borrowings – due within one year	13	29,032	30,682
Lease liabilities – due within one year		2,814	2,756
		138,178	146,463
TOTAL LIABILITIES		600,907	609,841
TOTAL EQUITY AND LIABILITIES		1,322,587	1,402,305
NET CURRENT ASSETS		103,217	113,174
TOTAL ASSETS LESS CURRENT LIABILITIES		1,184,409	1,255,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital HK\$'000	Share premium HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	312,828	1,741,104	-	6,702	(184)	303	(67,910)	(1,200,379)	792,464
Loss for the period	-	-	-	-	-	-	-	(30,358)	(30,358)
Translation exchange differences	-	-	-	-	-	-	(40,426)	-	(40,426)
Total comprehensive expenses for the period	-	-	-	-	-	-	(40,426)	(30,358)	(70,784)
Share options lapsed	-	-	-	(519)	-	-	-	519	-
At 30 June 2023 (unaudited)	312,828	1,741,104	-	6,183	(184)	303	(108,336)	(1,230,218)	721,680

For the six months ended 30 June 2022

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(14,356)	(5,638)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8)	(5)
Interest received	22	707
Decrease in pledged bank deposit	-	100,605
NET CASH GENERATED FROM INVESTING ACTIVITIES	14	101,307
FINANCING ACTIVITIES		
Capital element of lease rental paid	(1,373)	(1,374)
Interest element of lease rental paid	(74)	(74)
Interest paid	(7,391)	(20,812)
New borrowings raised	16,945	55,979
Repayment of borrowings	(10,174)	(117,230)
NET CASH USED IN FINANCING ACTIVITIES	(2,067)	(83,511)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,409)	12,158
Effect of foreign exchange rate changes	13,372	(12,179)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,084	17,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,047	17,407
ANALYSIS OF CASH AND CASH EQUIVALENTS representing bank balances and cash as stated in the consolidated statement of financial position	14,047	16,720
representing bank balances and cash attributable to assets of disposal group classified as held for sale	-	687
	14,047	17,407

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

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

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the “Group”) are property investment, property development and property management in the People’s Republic of China (the “PRC”). The Group ceased the hotel business in 2022.

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 STATEMENT

For the six months ended 30 June 2023

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 2022, as described in those annual financial statements.

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of these new and amended HKFRSs did not have any material impact on the Group’s condensed consolidated interim financial information.

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 STATEMENT

For the six months ended 30 June 2023

3. SEGMENT INFORMATION

The Group's continuing 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 continuing operating segments are as follows:

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

The Group's discontinued operating segment is as follow:

- Hotel Business Segment engaging in operation of hotels in the PRC

During the year ended 31 December 2022, the Directors resolved to cease the hotel business operation considering that it was not profitable and the cessation of hotel business could enable the Group to better utilise its resources in its other segments. The hotel business segment was thus classified as discontinued operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

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 2023

	Property Development Business HK\$'000 (unaudited)	Property Investment Business HK\$'000 (unaudited)	Property Management Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	-	19,219	10,947	30,166
RESULT				
Segment operating results	(121)	(2,844)	2,268	(697)
Fair value gain in respect of investment properties revaluation	-	1,395	-	1,395
Unallocated corporate income				916
Unallocated corporate expense				(9,108)
Finance costs				(22,516)
Loss before tax				(30,010)
Income tax expenses				(348)
Loss for the period				(30,358)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the six months ended 30 June 2022

	Continuing Operations			Subtotal HK\$'000 (unaudited)	Discontinued Operation	Total HK\$'000 (unaudited)
	Property Development Business HK\$'000 (unaudited)	Property Investment Business HK\$'000 (unaudited)	Property Management Business HK\$'000 (unaudited)		Hotel Business HK\$'000 (unaudited)	
TOTAL REVENUE AND EXTERNAL SALES	-	21,792	16,268	38,060	-	38,060
RESULT						
Segment operating results	(197)	1,167	4,452	5,422	(1,047)	4,375
Fair value loss in respect of investment properties revaluation	-	(12,048)	-	(12,048)	-	(12,048)
Unallocated corporate income				122	-	122
Unallocated corporate expense				(7,400)	-	(7,400)
Finance costs				(46,516)	-	(46,516)
Loss before tax				(60,420)	(1,047)	(61,467)
Income tax credit				3,012	-	3,012
Loss for the period				(57,408)	(1,047)	(58,455)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

4. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited) (restated)
Continuing operations		
Interest expense on bank loans and other borrowings	22,432	27,021
Effective interest expense on convertible notes	–	18,386
Effective interest on promissory note	–	959
Interest expense on lease liabilities	84	150
	22,516	46,516

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited) (restated)
Continuing operations		
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
PRC Land Appreciation Tax (“LAT”)	–	–
Current tax charge for the period	–	–
Deferred tax charge (credit) for the period	348	(3,012)
	348	(3,012)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

5. INCOME TAX EXPENSE (CREDIT) (continued)

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 2023 (six months ended 30 June 2022: Nil).

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

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

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Staff costs, including directors' emoluments	10,632	12,975
Retirement benefits scheme contributions, including contributions for directors	589	710
Total staff costs	11,221	13,685
Depreciation of property, plant and equipment	64	180
Depreciation of right-of-use assets	1,506	1,512
Gross rental income from investment properties	(19,219)	(21,792)
Less: Direct operating expenses from investment properties that generate rental income	6,445	7,173
	(12,774)	(14,619)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

7. DISCONTINUED OPERATION

During the year ended 31 December 2022, the directors of the Company resolved to cease the hotel business operation considering that it was not profitable and the cessation of hotel business could enable the Group to better utilise its resources in its other segments. The hotel business segment was thus classified as discontinued operation.

Loss for the period from discontinued operation:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Revenue	-	-
Cost of sales	-	(134)
Other operating income	-	21
Other operating expenses	-	(520)
Administrative expenses	-	(414)
Selling and distribution expenses	-	-
Loss for the period from discontinued operation attributable to owners of the Company	-	(1,047)

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

9. LOSS PER SHARE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Loss attributable to equity holders of the Company from continuing operations	(30,358)	(57,408)
Loss attributable to equity holders of the Company from discontinued operation	-	(1,047)
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	3,128,278,542	3,128,278,542
	HK cents per share	
Basic loss from continuing operations per share	(0.97)	(1.84)
Basic loss from discontinued operation per share	-	(0.03)

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

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The fair value of the Group's investment properties at 30 June 2023 and 31 December 2022 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited, a independent qualified professional valuer not connected to the Group, who possesses the appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

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

The valuation of investment properties in Wuhan (Future City Shopping Centre and Future Mansion Carparks) was 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 resulting increase in fair value of investment properties of approximately HK\$1,395,000 (six months ended 30 June 2022: decrease of approximately HK\$12,048,000) has been recognised directly in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended 30 June 2023, the Group did not dispose of any investment properties (six months ended 30 June 2022: nil). On the other hand, it acquired property, plant and equipment at a total cost of approximately HK\$8,000 (six months ended 30 June 2022: approximately HK\$5,000).

Details of the pledged investment properties and property, plant and equipment as at 30 June 2023 and 31 December 2022 are set out in Note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade receivables		
– contracts with customers	7,817	7,811
– property investment business	4,917	4,376
Less: accumulated allowance for credit expected losses	(3,784)	(2,526)
	8,950	9,661
Prepayments and deposits	8,201	9,543
Other receivables	11,060	9,902
Less: accumulated allowance for expected credit losses	(4,576)	(4,668)
	14,685	14,777
	23,635	24,438

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within 90 days	5,188	4,550
91 to 180 days	–	130
Over 180 days	3,762	4,981
	8,950	9,661

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

12. SHARE CAPITAL

	Number of ordinary shares HK\$0.1 each Share(s)	Amount HK\$'000
Authorised:		
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
As 1 January 2023 (audited) and 30 June 2023 (unaudited)	3,128,278,542	312,828

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

13. BORROWINGS

During the six months ended 30 June 2023, the Group obtained new borrowings of approximately HK\$16,945,000 (six months ended 30 June 2022: approximately HK\$55,979,000), and made repayments in the amount of approximately HK\$10,174,000 (six months ended 30 June 2022: approximately HK\$117,230,000). These borrowings born interest at 6.20% to 8.00% per annum (year ended 31 December 2022: 6.20% to 8.00% per annum).

14. 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 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within 90 days	343	1,319
91 to 180 days	2,368	14
Over 180 days	8,693	11,208
Trade payables	11,404	12,541
Interest payables	15,506	15,797
Accrued expenses and other tax payable	5,075	5,753
Other payables	6,296	7,213
	38,281	41,304

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2023

14. TRADE AND OTHER PAYABLES (continued)

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

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

15. 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 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Investment properties situated in the PRC	324,641	342,733

16. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had no significant contingent liabilities and commitments.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

The Property Development Business

During the six months ended 30 June 2023 (the "Current Period") and 30 June 2022, there was no revenue arising from property development business.

The 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. 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 2023, the total leasable area of Future City is approximately 55,029 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 2023, the aggregate fair value of the Future City was approximately HK\$1,044 million. During the Current Period, the rental income generated from the Future City was approximately HK\$18.9 million (six months ended 30 June 2022: approximately HK\$15.0 million) and the average occupancy rate was around 89.4% (30 June 2022: 91.0%).

The Group has transferred total gross floor area of 7,723 sq.m. in respect of Future Mansion's carparks from inventory of properties to investment properties during the year ended 31 December 2022. As at 30 June 2023, the fair value of the carparks is approximately HK\$18.3 million.

As at 30 June 2023, the aggregate fair value of the Future City and Future Mansion's carparks held by the Group was approximately HK\$1,062.4 million (30 June 2022: approximately HK\$1,121.4 million). During the Current Period, the rental income generated from the investment properties was approximately HK\$19.2 million (30 June 2022: approximately HK\$21.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The 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, provide 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\$10.9 million (six months ended 30 June 2022: approximately HK\$16.3 million).

FINANCIAL REVIEW

Revenue

Revenue from continuing operations of the Group for the Current Period decreased to approximately HK\$30.2 million (six months ended 30 June 2022: approximately HK\$38.1 million). The decrease was mainly due to the reduction in the rental income of approximately HK\$6.8 million generated from a subsidiary which had been disposed of on 15 July 2022.

Comparing the six months ended 30 June 2022 to the Current Period, revenue from property management business decreased from approximately HK\$16.3 million to approximately HK\$10.9 million, whereas revenue from property investment business decreased from approximately HK\$21.8 million to approximately HK\$19.2 million.

Cost of Sales

Cost of sales from continuing operations decreased from approximately HK\$18.2 million for the six months ended 30 June 2022 to approximately HK\$13.1 million for the Current Period, primarily due to the decrease in cost of the hotel business in the Current Period.

During the Current Period, the Group's cost of sales comprises of those from property investment segment of approximately HK\$6.4 million (six months ended 30 June 2022: HK\$7.2 million) and property management business of approximately HK\$6.6 million (six months ended 30 June 2022: HK\$11.0 million).

Gross Profit and Gross Profit Margin

Gross profit from continuing operations decreased from HK\$20.0 million (as restated) for the six months ended 30 June 2022 to approximately HK\$17.1 million for the Current Period. The Group had an overall gross profit margin from continuing operations of 56.6% for the Current Period, as compared to 52.6% for the corresponding six months in 2022. The increase in the gross profit margin was primarily attributable to the increase in the gross profit margin of the property investment business.

Other Operating Income

Other operating income from continuing operations increased to approximately HK\$1.1 million for the Current Period from approximately HK\$2.3 million for the corresponding six months in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK\$1.4 million for the Current Period arising from change in fair value of the investment property portfolio in the PRC held by the Group comparing to that of a net loss of approximately HK\$12.0 million for the six months ended 30 June 2022.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations decreased to approximately HK\$0.6 million for the Current Period from approximately HK\$0.8 million for the corresponding six months in 2022, primarily due to the decrease in advertising and promotion, and commission expenses for the property investment business.

Administrative Expenses

The administrative expenses from continuing operations mainly comprised of staff costs of approximately HK\$8.7 million, depreciation of property, plant and equipment and right-of-use assets of approximately HK\$1.6 million, legal and professional fee of approximately HK\$0.8 million and entertainment and travelling expenses of approximately HK\$1.2 million. The administrative expenses increased to approximately HK\$25.3 million for the Current Period from approximately HK\$23.7 million for the corresponding six months in 2022, primarily due to the increase in administrative expenses related to the property investment business in the Current Period.

Finance Costs

The finance costs from continuing operations decreased to approximately HK\$22.5 million for the Current Period from approximately HK\$46.5 million for the corresponding six months in 2022 due to the decrease in effective interest expense on convertible notes of approximately HK\$18.4 million.

Income Tax (Expense) Credit

The income tax expense from continuing operations for the Current Period was approximately HK\$0.3 million (six months ended 30 June 2022: credit of approximately HK\$3.0 million). The amount was primarily attributable to the deferred tax expenses arising from fair value gain 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 2023 amounted to approximately HK\$30.4 million (six months ended 30 June 2022: approximately HK\$58.5 million). The decrease was mainly attributable to the decrease in the finance costs during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2023, total bank balances and cash of the Group amounted to approximately HK\$14.0 million (31 December 2022: HK\$17.1 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2023, the Group's total debts included borrowings of approximately HK\$371.6 million (31 December 2022: HK\$341.9 million). Amongst the borrowings, approximately HK\$29.0 million (31 December 2022: approximately HK\$30.7 million) was repayable within one year and approximately HK\$342.6 million (31 December 2022: approximately HK\$337.0 million) was repayable after one year.

At 30 June 2023, certain investment properties with an aggregate carrying amount of approximately HK\$324.6 million (31 December 2022: approximately HK\$342.7 million) were pledged as security for certain banking facilities granted to the Group.

Gearing and Current Ratios

The gearing ratio was 49.6% as at 30 June 2023 (31 December 2022: 44.2%). The gearing ratio was measured by net debt (aggregated borrowings 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 1.75 (31 December 2022: 1.77).

OUTLOOK AND FUTURE PLAN

Looking into 2023, the Company is committed to steady recovery and restoring stable business performance. In light of lifting the COVID-19 restrictions in the PRC, the effects of the novel coronavirus pandemic have been easing off gradually in 2023. The Company will be actively seeking business opportunities to maintain its competitiveness in the market and create values to the shareholders of the Company. The management is actively looking for the potential projects which is compatible with the Group's principal activities including infrastructure related 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 2023, 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 2023

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

Notes:

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

Save as disclosed above, at 30 June 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SHARE OPTIONS

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

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

Saved as disclosed above, at no time during the period ended 30 June 2023 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 "2013 Scheme"). The 2013 Scheme expired on 17 June 2023. No further options can be offered or granted upon the expiration of the 2013 Scheme. Option granted under the 2013 Scheme prior to the expiration will continue to be valid and exercisable in accordance with the rules of the 2013 Scheme. In view of the expiration of the 2013 Scheme, the Company will propose to adopt a new share option scheme in accordance with Chapter 17 of the Listing Rules in next annual general meeting.

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 2023, 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 2023

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

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, CFIM and Capital Focus are deemed to have the same interests in the Company as CFIL, being in the capacity of investment manager of CFIL.
- (5) She is an independent third party.

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 2023.

CORPORATE GOVERNANCE

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

During the six months ended 30 June 2023, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.2.1

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

(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 of association of the Company, 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 set out in Appendix 10 of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors of the Company.

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

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the total number of employees stood at approximately 122 (30 June 2022: 183). Total staff costs for the Current Period was approximately HK\$11.2 million (six months ended 30 June 2022: approximately HK\$13.7 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 Current Period (six months ended 30 June 2022: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

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

Significant Investment

The Group had no significant investment held as at 30 June 2023.

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 Current Period.

OTHER INFORMATION

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

There has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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