



中國基建投資有限公司
China Infrastructure Investment Limited

Stock Code : 600

2020
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. XU Xiao Jun (*Chairman and Chief Executive Officer*)
Mr. YE De Chao
Mr. JI Xu Dong

Independent Non-executive Directors:

Mr. HE Jin Geng[#]
Mr. YU Hong Gao[#]
Ms. CHEN Yang[#]

([#] *Members of Audit Committee*)

AUDIT COMMITTEE

Mr. HE Jin Geng (*Chairman*)
Mr. YU Hong Gao
Ms. CHEN Yang

REMUNERATION COMMITTEE

Mr. YU Hong Gao (*Chairman*)
Mr. XU Xiao Jun
Mr. HE Jin Geng
Ms. CHEN Yang

NOMINATION COMMITTEE

Mr. XU Xiao Jun (*Chairman*)
Mr. HE Jin Geng
Mr. YU Hong Gao
Ms. CHEN Yang

CORPORATE GOVERNANCE COMMITTEE

Mr. XU Xiao Jun (*Chairman*)
Mr. HE Jin Geng
Mr. YU Hong Gao
Ms. CHEN Yang

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian

SOLICITORS

Stephenson Harwood

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Cayman Islands

The R&H Trust Co. Ltd.
Windward 1, Regatta Office Park
Grand Cayman
Cayman Islands

Hong Kong

Suite 607, 6/F., Ocean Centre
5 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Principal Share Registrar

The R&H Trust Co. Ltd.
Windward 1, Regatta Office Park
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

BANKERS

Bank of Communications Company Limited
The Shanghai Commercial Bank Limited
OCBC Wing Hang Bank Limited

STOCK CODE

00600

WEBSITE

<http://www.china-infrastructure.com>

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of China Infrastructure Investment Limited (the “**Company**”) is pleased to present the Interim Report with the condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2020, and the consolidated statement of financial position of the Group at 30 June 2020, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 24 of this report.

BUSINESS REVIEW AND OUTLOOK

The loss attributable to owners of the Company for the period from 1 January 2020 to 30 June 2020 was approximately HK\$2,495,000, compared with the loss attributable to owners of the Company of approximately HK\$1,695,000 for the first six months of 2019.

PRC PROJECTS

Properties development and investment

Forward Investment (PRC) Company Limited

The principal assets of Forward Investment (PRC) Company Limited (“**Forward Investment**”) is the 100% equity interests in 南京泰和盈科置業有限公司 (Nanjing Taihe Yingke Property Company Limited*) (“**Nanjing Taihe Yingke**”), which main asset is a complex development project (the “**Jiangning Project**”) located in Jiangning Development Zone, Nanjing, Jiangsu Province, the PRC. The Jiangning Project is a composite complex comprising two towers of commercial space and service apartments. The commercial space tower is a six-storey tower with a gross floor area of 39,241.48 square metres and the service apartments tower is an 18-storey tower with a gross floor area of 20,882.52 square metres. The total gross floor area of the Jiangning Project is approximately 74,642.00 square metres which includes a basement of approximately 14,518.00 square metres, and land use rights of approximately 20,050.90 square metres.

As at 30 June 2020, approximately 1,600 square meters of the gross floor area of the commercial building have been sold. Approximately 19,600 square meters of the gross floor area of the commercial building has been rented out. Approximately 20,100 square meters of the gross floor area of the service apartment have been sold.

Pursuant to the subscription agreement, this investment will provide the annual return undertaking of not less than 12% of the consideration which can generate stable revenue streams and cash surplus for the Group. On 15 May 2019, the guarantors of the subscription agreement had fulfilled their obligations regarding the return undertaking and compensated the shortfall of the profit guarantee for the year ended 31 December 2018, being HK\$36,000,000, to the Group.

Management Discussion and Analysis

天津俊華物流有限公司 (Tianjin Jun Hua Logistics Company Limited*)

Tianjin Jun Hua Logistics Company Limited (“**Tianjin Jun Hua Logistics**”) is principally engaged in the business of property rentals and operation of storage units. Tianjin Jun Hua Logistics owns a property with a land use area of 11,331.30 square metres, comprising of one building with one storey of 704.16 square metres and another building with four storeys of 10,807.91 square metres at Tianjin Economic and Technological Development Zone, Tianjin City, the PRC. The property is located in the Tianjin Harbour, which is one of the main transportation hubs of the PRC. The Company is of the view that the acquisition allows the Group to invest in a property located within a promising district. It is believed that the acquisition will provide a steady rental income stream to the Group amid the current low interest rate environment as well as appreciation potential of the value of the property owned by Tianjin Jun Hua Logistics.

天津滙力源動力設備有限公司 (Tianjin Hui Li Yuan Power Equipment Co. Ltd.*)

Tianjin Hui Li Yuan Power Equipment Co. Ltd. (“**Tianjin Hui Li Yuan**”) is principally engaged in the business of property rentals and property development. Tianjin Hui Li Yuan is the legal owner of the land use right for a parcel of land with an area of approximately 29,012.72 square metres located at Tianjin Economic and Technological Development Zone, Tianjin City, the PRC. The land is now for industrial use and having two 4-storey buildings (namely Block Nos. 3 and 4) with a total gross floor area of 18,333 square metres under construction. Whilst the construction work for the other 2 buildings (namely Block Nos. 1 and 2) with a total gross floor area of 46,445 square metres was yet to commence. With the fast development of the Tianjin’s logistics industry as well as the business and commercial sector, the directors of the Company anticipate the land would have greater development potential along with the economic growth of Tianjin.

OUTLOOK

The outbreak of COVID-19 has brought a slowdown of the global and local economy due to travel restriction and lockdown measures. The forthcoming business environment would remain challenging as we see quite a number of business parties are encountering financial difficulties amidst the persisting pandemic of COVID-19. The management will continue to look for investment opportunities in the PRC so as to expand the development portfolio and diversify the income stream of the Group in the future. In this regard, investment opportunities which offer satisfactory returns to the Shareholders within the acceptable risk profile of the Group and expected return will be considered. As a result, the Group will strive to identify suitable projects with potential for development and satisfactory returns across various sectors in the PRC market.

HUMAN RESOURCES

At 30 June 2020, the Group had a total of approximately 26 staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing industry practices so as to retain the competent and talented employees.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. At 30 June 2020, the underlying current ratio, defined as current assets over current liabilities, was approximately 1.86 (31 December 2019: 1.87). At 30 June 2020, the underlying gearing ratio, defined as the total borrowings over total equity (including non-controlling interests), was approximately 16% (31 December 2019: 16%) while the current liabilities to the total assets ratio was approximately 22% (31 December 2019: 21%).

At 30 June 2020, the Group's equity attributable to owners of the Company was approximately HK\$713,587,000, a decrease of approximately 2.6% over last year end which was approximately HK\$732,376,000. The net current assets at 30 June 2020 was approximately HK\$190,415,000 (31 December 2019: HK\$192,475,000) while cash and bank balances at 30 June 2020 was approximately HK\$159,848,000 (31 December 2019: HK\$2,024,000).

CONTINGENT LIABILITIES

Certain properties of a subsidiary were pledged in favour of a PRC trust company to secure the payment obligation of an independent third party in the sum of approximately HK\$87,696,000 (equivalent to RMB80,000,000) granted by the PRC trust company in favour of the independent third party. As at 30 June 2020, the outstanding loan amount of the independent third party was approximately HK\$87,696,000 (equivalent to RMB80,000,000) and the carrying amount of the pledged properties was approximately HK\$117,675,000 (31 December 2019: HK\$119,962,000).

The Group had no other material contingent liabilities.

CHARGE ON ASSETS

At 30 June 2020, property, plant and equipment of approximately HK\$117,675,000 (31 December 2019: HK\$119,962,000) was pledged as securities for payment obligation of an independent third party.

FOREIGN EXCHANGE RISK

During the period, most of the business transactions, assets and liabilities of the Group were denominated in Hong Kong Dollar, Renminbi and United States Dollar. The Group had no material foreign exchange exposure risks during the period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2020, the interests and short positions of the Directors and 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 (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(A) LONG POSITION IN THE ORDINARY SHARES OF HK\$0.05 EACH ("SHARES") OF THE COMPANY

Name of Director	Number of Shares held			% to the issued share capital of the Company (%)
	Personal Interests	Corporate Interests	Total	
Mr. Ye De Chao	—	1,189,290,512 (Note)	1,189,290,512	27.85
Mr. Ji Xu Dong	6,000	—	6,000	0.00014

Note: These Shares were held by Legendary Base International Limited, a company which was wholly-owned by Mr. Ye De Chao. Hence, he was deemed to have a beneficial interest in all these Shares.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associate corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 July 2008 (the "Share Option Scheme"). The Share Option Scheme expired on 11 July 2018. No new share option scheme had been adopted by the Company as at the date of this report.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITION IN THE ORDINARY SHARES

Name of Shareholder	Capacity	Number of Shares	% to the issued share capital of the Company (%)
Central Huijin Investment Ltd. (Note 1)	Interests of controlled corporation	1,189,290,512	27.85
China Construction Bank Corporation (Note 2)	Interests of controlled corporation	1,189,290,512	27.85
Legendary Base International Limited (Note 3)	Beneficial owner	1,189,290,512	27.85
Expert Ever Limited (Note 4)	Beneficial owner	383,956,000	8.99
Zhang Xiaojun (Note 4)	Interests of controlled corporation	383,956,000	8.99

Notes:

- China Construction Bank Corporation was owned as to 57.26% by Central Huijin Investment Ltd..
- According to the disclosure of interest form filed by China Construction Bank Corporation, China Construction Bank Corporation reported interests because Prosper Talent Limited, an indirect wholly-owned subsidiary of China Construction Bank Corporation, was reported to have direct interests in the Shares. So far as the Company was aware of, Prosper Talent Limited was a person having a security interest in the Shares under a share pledge.
- Legendary Base International Limited is wholly-owned by Mr. Ye De Chao, a director of the Company.
- Expert Ever Limited was wholly-owned by Zhang Xiaojun.

Save as disclosed above, as at the date of this report, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the six months ended 30 June 2020, except for the following deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Xu Xiao Jun, the Chief Executive Officer of the Company, had also been appointed as the Chairman of the Company since 31 July 2017. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors including independent non-executive Directors of the Company is not specific. It is provided in the Company's articles of association that all the Directors are subject to retirement by rotation at least once every three years at the annual general meetings of the Company and are eligible for re-appointment. The Directors are of the view that such provision in the Company's articles of association has been able to safeguard corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the provisions of the Model Code for the six months ended 30 June 2020.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) has three members, namely Mr. He Jin Geng, Mr. Yu Hong Gao and Ms. Chen Yang, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. He Jin Geng. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

The Audit Committee has reviewed with the management and agreed with the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed with no disagreement by the Audit Committee of the Company.

By Order of the Board

YE De Chao

Executive Director

Hong Kong, 31 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		(Unaudited) For the six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
	Notes		
Revenue	4	12,506	25,372
Costs of sales		(11,540)	(24,442)
Gross profit		966	930
Other income	5	18,098	18,833
Share of results of associates		(6,353)	(2,669)
General and administrative expenses		(8,851)	(6,934)
Profit from operations		3,860	10,160
Finance costs	6(a)	(6,289)	(11,700)
Loss before taxation	6	(2,429)	(1,540)
Income tax	7	—	—
Loss for the period		(2,429)	(1,540)
Attributable to:			
— Owners of the Company		(2,495)	(1,695)
— Non-controlling interests		66	155
Loss for the period		(2,429)	(1,540)
Loss per share (HK cents per share)	10		
— Basic		(0.06)	(0.04)
— Diluted		(0.06)	(0.04)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		(Unaudited) For the six months ended 30 June	
Notes		2020 HK\$'000	2019 HK\$'000
Loss for the period		(2,429)	(1,540)
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss</i>			
Net translation differences on foreign operations		(11,878)	(2,073)
Share of other comprehensive income of associates			
— Exchange reserve		(5,686)	(487)
		(17,564)	(2,560)
Other comprehensive loss for the period, net of tax		(17,564)	(2,560)
Total comprehensive loss for the period		(19,993)	(4,100)
Attributable to:			
— Owners of the Company		(18,789)	(4,142)
— Non-controlling interests		(1,204)	42
Total comprehensive loss for the period		(19,993)	(4,100)

The notes on pages 15 to 24 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	(Unaudited) 30/6/2020 HK\$'000	(Audited) 31/12/2019 HK\$'000
NON-CURRENT ASSETS			
Investment properties		58,099	59,227
Property, plant and equipment		117,771	120,064
Right-of-use assets		2,348	2,578
Goodwill		—	—
Interests in associates	11	288,279	300,318
Prepayment		130,897	133,441
		597,394	615,628
CURRENT ASSETS			
Trade receivables	12	13,873	18,112
Other receivables, deposits and prepayment		238,850	393,653
Cash and bank balances	13	159,848	2,024
		412,571	413,789
CURRENT LIABILITIES			
Trade payables	14	(25,235)	(29,877)
Accruals and other payables		(66,155)	(60,572)
Interest-bearing borrowings — current		(125,000)	(125,000)
Lease liabilities		(312)	(297)
Tax payables		(5,454)	(5,568)
		(222,156)	(221,314)
NET CURRENT ASSETS		190,415	192,475
TOTAL ASSETS LESS CURRENT LIABILITIES		787,809	808,103
NON-CURRENT LIABILITIES			
Lease liabilities		(463)	(623)
Deferred tax liabilities		(7,228)	(7,369)
		(7,691)	(7,992)
NET ASSETS		780,118	800,111
CAPITAL AND RESERVES			
Share capital	15	213,496	213,496
Reserves		500,091	518,880
Total equity attributable to owners of the Company		713,587	732,376
Non-controlling interests		66,531	67,735
TOTAL EQUITY		780,118	800,111

The notes on pages 15 to 24 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

For the six months ended 30 June 2020

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (note 1) HK\$'000	Capital redemption reserve (note 2) HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020	213,496	756,049	72	69	(76,473)	(160,837)	732,376	67,735	800,111
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	(10,608)	—	(10,608)	(1,270)	(11,878)
Share of other comprehensive income of associates	—	—	—	—	(5,686)	—	(5,686)	—	(5,686)
Profit/(loss) for the period	—	—	—	—	—	(2,495)	(2,495)	66	(2,429)
Total comprehensive loss for the period	—	—	—	—	(16,294)	(2,495)	(18,789)	(1,204)	(19,993)
At 30 June 2020	213,496	756,049	72	69	(92,767)	(163,332)	713,587	66,531	780,118

For the six months ended 30 June 2019

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (note 1) HK\$'000	Capital redemption reserve (note 2) HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019	213,496	756,049	72	69	(56,278)	(131,928)	781,480	70,158	851,638
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	—	(1,960)	—	(1,960)	(113)	(2,073)
Share of other comprehensive income of associates	—	—	—	—	(487)	—	(487)	—	(487)
Profit/(loss) for the period	—	—	—	—	—	(1,695)	(1,695)	155	(1,540)
Total comprehensive income/(loss) for the period	—	—	—	—	(2,447)	(1,695)	(4,142)	42	(4,100)
At 30 June 2019	213,496	756,049	72	69	(58,725)	(133,623)	777,338	70,200	847,538

Notes:

1. The capital reserve of the Group represents the excessive injection of the registered capital of a subsidiary.
2. Capital redemption reserve represents the nominal value of shares repurchased out of distributable profit.

The notes on pages 15 to 24 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		(Unaudited) For the six months ended 30 June	
Notes		2020 HK\$'000	2019 HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		168,414	(17,229)
NET CASH GENERATED FROM INVESTING ACTIVITIES		98	833
NET CASH USED IN FINANCING ACTIVITIES		(184)	(11,700)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		168,328	(28,096)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,024	553,114
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(10,504)	(1,784)
CASH AND CASH EQUIVALENTS AT 30 JUNE		159,848	523,234
	13		

The notes on pages 15 to 24 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

China Infrastructure Investment Limited (the “**Company**”) was incorporated and registered in the Cayman Islands on 16 June 1992 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 2 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office in Cayman Islands and in Hong Kong are disclosed in the corporate information section of the interim report.

The Company is an investment holding company. Its subsidiaries are principally engaged in property development and investment and natural gas business.

2. BASIS OF PREPARATION

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

The condensed consolidated financial statements contain the condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, a summary of significant accounting policies and selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual consolidated financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except as described in note 3.

The condensed consolidated financial statements should be read in conjunction with the 2019 annual consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies used in the preparation of the 2019 interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the “**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 January 2020.

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, have been effective for annual periods beginning on 1 January 2020.

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s condensed consolidated financial statements for the six months ended 30 June 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. REVENUE

The amount of each significant category of revenue recognised during the periods is analysed as follows:

	(Unaudited) For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<i>Revenue with the scope of HKAS 17</i>		
Rental income from leasing of properties	617	563
<i>Revenue with contract customers within the scope of HKFRS 15</i>		
Property management fee income	437	363
Sales of construction materials	11,452	24,446
	12,506	25,372
Disaggregation by timing of revenue recognition:		
At a point of time:		
Sales of construction materials	11,452	24,446
Over time:		
Property management fee income	437	363
	11,889	24,809

5. OTHER INCOME

	(Unaudited) For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest income on bank deposit	98	833
Compensation income arising from profit guarantee realisation	18,000	18,000
	18,098	18,833

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. LOSS BEFORE TAXATION

(A) FINANCE COSTS

	(Unaudited) For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest on interest-bearing borrowings	6,250	11,700
Interest on lease liabilities	39	—
Total borrowing costs	6,289	11,700

(B) OTHER ITEMS

Loss before taxation is arrived after charging/(crediting):

	(Unaudited) For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Charging:		
Staff costs (including directors' emoluments):		
— salaries, wages and other benefits	1,706	1,405
— retirement benefits scheme contributions	84	37
Total staff costs	1,790	1,442
Auditors' remuneration	500	500
Depreciation of right-of-use assets	198	39
Depreciation of property, plant and equipment	5	7
Cost of inventories sold	11,370	24,268
Lease payments under short term lease	—	170
Crediting:		
Gross rental income from investment properties	(617)	(563)
Less: Direct operating expenses from investment properties that generated rental income during the period	170	174
	(447)	(389)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. INCOME TAX

Taxation in condensed consolidated statement of profit or loss represents:

	(Unaudited) For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current tax:		
— Hong Kong Profits Tax	—	—
— The PRC Corporate Income Tax	—	—
Deferred tax	—	—
Income tax	—	—

Hong Kong Profits Tax was not provided for in the interim financial statements as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 30 June 2020.

The Group's PRC subsidiaries are subject to the PRC Corporate Income Tax at 25% (2018: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the subsidiaries of the Group operates, based on prevailing legislation, interpretations and practice in respect thereof during the period.

8. SEGMENT INFORMATION

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the period ended 30 June 2020 (2019: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment performance is evaluated based on reportable segment profit, which is a measure of segment profit. The segment profit represents the result generated from each segment with allocation of (i) general and administrative expenses, selling and distribution costs and other operating expenses under the heading of other corporate expenses; (ii) share of results of associates; (iii) interest income; and (iv) compensation income and other sundry income under the heading of other operating income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than corporate assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. SEGMENT INFORMATION *(Continued)*

In a manner consistent with the way in which information is reported internally to chief operating decision maker for the purposes of resources allocation and performance assessment, the Group is currently organised into the following operating segments and geographical areas:

- (a) The properties investment segment engages in rental income from investment properties in the PRC;
- (b) Natural gas segment engages in sales of natural pipelined gases and its construction materials in the PRC; and
- (c) Investment holding segment engages in investment in associates on a geographical basis of the PRC.

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	(Unaudited)				Total HK\$'000
	For the six months ended 30 June 2020				
	Properties investment HK\$'000	Natural gas HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	
Segment revenue (from external customers)	1,054	11,452	—	—	12,506
Segment profit	884	82	—	—	966
Other operating income					18,098
Share of results of associates					(6,353)
Other corporate expenses					(8,851)
Profit from operations					3,860
Finance costs					(6,289)
Loss before taxation					(2,429)
Income tax	—	—	—	—	—
Loss for the period					(2,429)
Other segment information:					
Depreciation of right-of-use assets	37	—	—	161	198
Depreciation of property, plant and equipment	1	4	—	—	5

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. SEGMENT INFORMATION *(Continued)*

	(Unaudited)				
	For the six months ended 30 June 2019				
	Properties investment HK\$'000	Natural gas HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue (from external customers)	926	24,446	—	—	25,372
Segment profit	752	178	—	—	930
Other operating income					18,833
Share of results of associates					(2,669)
Other corporate expenses					(6,934)
Profit from operations					10,160
Finance costs					(11,700)
Loss before taxation					(1,540)
Income tax	—	—	—	—	—
Loss for the period					(1,540)
Other segment information:					
Depreciation of right-of-use assets	39	—	—	—	39
Depreciation of property, plant and equipment	—	—	—	7	7

9. DIVIDENDS

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

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2020 of approximately HK\$2,495,000 (six months ended 30 June 2019: loss of approximately HK\$1,695,000) and the number of shares in issue during the six months ended 30 June 2020 of 4,269,910,510 (six months ended 30 June 2019: 4,269,910,510).

There was no difference between the basic and diluted loss per share as there were no dilutive potential shares outstanding for the periods presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. INTERESTS IN ASSOCIATES

	HK\$'000
At 31 December 2019 (Audited) and at 1 January 2020	300,318
share of post-acquisition loss	(6,353)
share of post-acquisition reserves	(5,686)
At 30 June 2020 (Unaudited)	288,279

12. TRADE RECEIVABLES

	(Unaudited) 30/6/2020 HK\$'000	(Audited) 31/12/2019 HK\$'000
Trade receivables	13,873	18,112
Less: Impairment loss recognised in respect of trade receivables	—	—
Trade receivables, net	13,873	18,112
Ageing analysis of trade receivables is as follows:		
Due within 30 days or on demand	13,873	18,112
Due within 31-60 days	—	—
Due within 61-90 days	—	—
Due over 90 days	—	—
	13,873	18,112

The Group generally allowed an average credit period due within 30 days to its trade debtors.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. CASH AND BANK BALANCES

	(Unaudited) 30/6/2020 HK\$'000	(Audited) 31/12/2019 HK\$'000
Cash and cash equivalents	159,848	2,024

- Included in cash and bank balances of the Group, approximately HK\$156,063,000 (31 December 2019: HK\$2,024,000) of bank balances denominated in Renminbi ("RMB"). RMB is not a freely convertible currency. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- Bank balances and pledged deposits earn interests at floating rate and fixed rate, and are placed and deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

	(Unaudited) 30/6/2020 HK\$'000	(Audited) 31/12/2019 HK\$'000
Ageing analysis of trade payables is as follows:		
Due within 30 days or on demand	—	—
Due within 31 to 60 days	—	—
Due within 61 to 90 days	—	—
Due over 90 days	25,235	29,877
	25,235	29,877

15. SHARE CAPITAL

	(Unaudited) 30/6/2020		(Audited) 31/12/2019	
	Number of shares '000	Nominal value HK\$'000	Number of Shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each	10,000,000	500,000	10,000,000	500,000
Ordinary shares:				
Issued and fully paid:				
At 1 January	4,269,910	213,496	4,269,910	213,496
At 30 June/31 December	4,269,910	213,496	4,269,910	213,496

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with its related parties during the six months ended 30 June 2020 and 2019:

KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of director(s) and other member(s) of key management during the period was as follows:

	(Unaudited) For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Short-term employee benefits	439	439
Post-employment benefits	9	9
	448	448

17. EVENTS AFTER THE REPORTING PERIOD

There is no significant events of the Group after 30 June 2020.

18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 31 August 2020.