

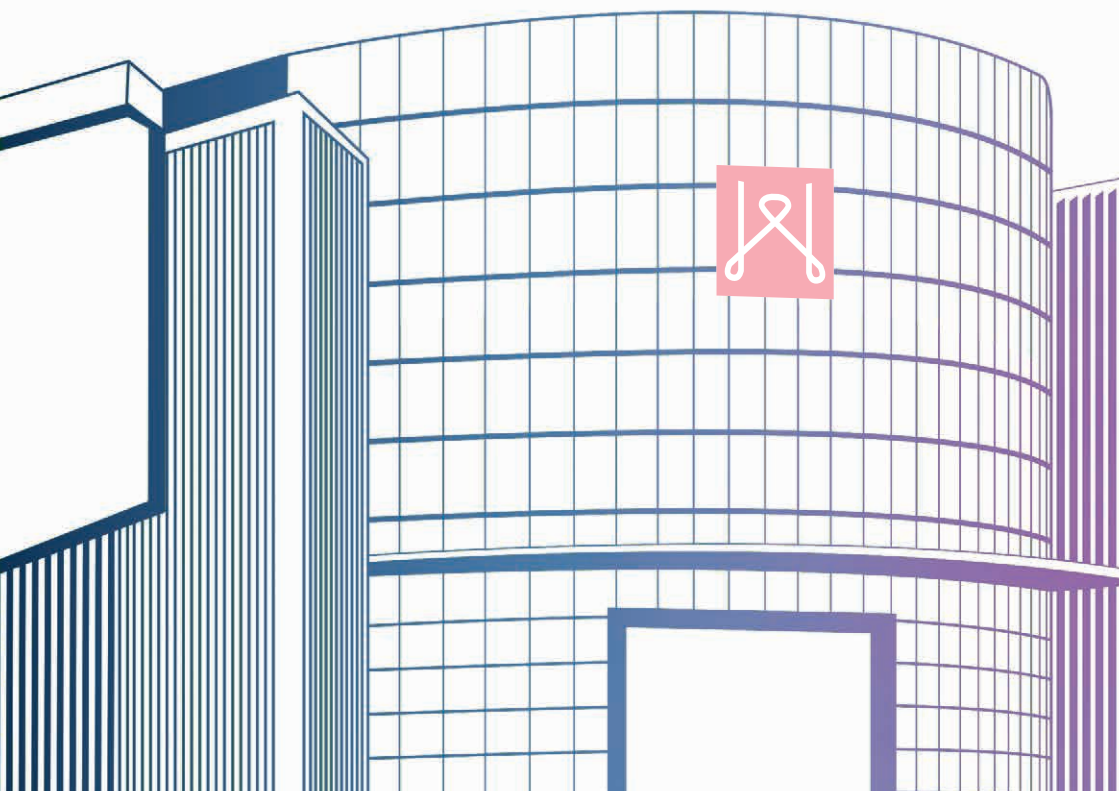


ART GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 565)

INTERIM REPORT 2020



Corporate Information

BOARD OF DIRECTORS

Mr. Chen Jinyan (*Chairman*)
Mr. Chen Jindong (*Chief Executive Officer*)
Mr. Kwan Chi Fai*
Mr. Lin Ye*
Mr. Yang Zeqiang*
Ms. Chong Sze Pui Joanne*

* *Independent Non-executive Director*

COMPANY SECRETARY

Ms. Yeow Mee Mooi

AUDITOR

Elite Partners CPA Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Zhongyuan Bank
Bank of Zhengzhou
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 24, which comprise the condensed consolidated statement of financial position as of 31 December 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and 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

Siu Jimmy

Practising Certificate number: P05898

10th Floor

8 Observatory Road

Tsim Sha Tsui,

Kowloon, Hong Kong

26 February 2021

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 2020 (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 2019 are as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

		Six months ended 31 December	
	<i>NOTES</i>	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	3	92,000	88,939
Cost of sales		(40,079)	(33,954)
Gross profit		51,921	54,985
Other income		15,981	8,209
Administrative expenses		(17,503)	(19,997)
Loss on fair value changes on investment properties		(403,000)	–
Loss on fair value change on biological assets		(2,386)	–
Finance costs	4	(30,896)	(27,012)
(Loss)/profit before taxation		(385,883)	16,185
Income tax credit/(expense)	5	97,364	(1,292)
(Loss)/profit for the period	6	(288,519)	14,893
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation from functional currency to presentation currency		132,036	(21,974)
Other comprehensive income/(expense) for the period, net of income tax		132,036	(21,974)
Total comprehensive expense for the period		(156,483)	(7,081)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

		Six months ended 31 December	
	NOTES	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		(217,902)	9,352
Non-controlling interests		<u>(70,617)</u>	<u>5,541</u>
		(288,519)	14,893
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		(111,658)	(8,469)
Non-controlling interests		<u>(44,825)</u>	<u>1,388</u>
		(156,483)	(7,081)
(LOSS)/EARNINGS PER SHARE	8		
Basic (<i>HK cents</i>)		<u>(8.10)</u>	<u>0.35</u>
Diluted (<i>HK cents</i>)		(8.10)	0.35

Condensed Consolidated Statement of Financial Position

At 31 December 2020

		31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		18,716	8,609
Right-of-use assets		6,780	7,595
Investment properties	9	2,432,795	2,637,363
Goodwill		34,764	34,764
		<u>2,493,055</u>	<u>2,688,331</u>
CURRENT ASSETS			
Biological assets		–	1,418
Inventories		72	–
Trade and other receivables	10	49,858	37,031
Bank balances and cash		352,311	419,095
		<u>402,241</u>	<u>457,544</u>
CURRENT LIABILITIES			
Other payables	11	61,654	57,012
Contract liabilities		22,101	23,876
Lease liabilities		1,017	1,315
Secured bank borrowings	12	80,819	74,713
Bond	13	9,000	9,999
Tax liabilities		2,365	–
		<u>176,956</u>	<u>166,915</u>
NET CURRENT ASSETS		<u>225,285</u>	<u>290,629</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,718,340</u>	<u>2,978,960</u>

Condensed Consolidated Statement of Financial Position

At 31 December 2020

		31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
	<i>NOTES</i>		
CAPITAL AND RESERVES			
Share capital	<i>14</i>	26,888	26,888
Reserves		1,263,211	1,374,869
Equity attributable to owners of the Company		1,290,099	1,401,757
Non-controlling interests		296,282	346,645
TOTAL EQUITY		1,586,381	1,748,402
NON-CURRENT LIABILITIES			
Lease liabilities		4,854	4,935
Deferred tax liabilities		318,534	391,469
Secured bank borrowings	<i>12</i>	783,231	799,810
Bonds	<i>13</i>	25,340	34,344
		1,131,959	1,230,558
		2,718,340	2,978,960

Condensed Consolidated Statement of Changes In Equity

For the six months ended 31 December 2020

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Merger reserve	Exchange reserve	Share option reserve	Statutory reserve	Retained profits			Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2019 (audited)	26,888	263,850	136	(125,820)	48,930	-	1,267,504	1,481,488	375,138	1,856,626
Profit for the period	-	-	-	-	-	-	9,352	9,352	5,541	14,893
Other comprehensive expense for the period										
- Exchange difference on translation from functional currency to presentation currency	-	-	-	(17,821)	-	-	-	(17,821)	(4,153)	(21,974)
Total comprehensive (expense)/income for the period	-	-	-	(17,821)	-	-	9,352	(8,469)	1,388	(7,081)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(11,376)	(11,376)
Appropriations	-	-	-	-	-	5,056	(5,056)	-	-	-
At 31 December 2019 (unaudited)	26,888	263,850	136	(143,641)	48,930	5,056	1,271,800	1,473,019	365,150	1,838,169
At 1 July 2020 (audited)	26,888	263,850	136	(174,893)	43,528	5,000	1,237,248	1,401,757	346,645	1,748,402
Loss for the period	-	-	-	-	-	-	(217,902)	(217,902)	(70,617)	(288,519)
Other comprehensive income for the period										
- Exchange difference on translation from functional currency to presentation currency	-	-	-	106,244	-	-	-	106,244	25,792	132,036
Total comprehensive income/(expense) for the period	-	-	-	106,244	-	-	(217,902)	(111,658)	(44,825)	(156,483)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(5,538)	(5,538)
Appropriations	-	-	-	-	-	2,462	(2,462)	-	-	-
At 31 December 2020 (unaudited)	26,888	263,850	136	(68,649)	43,528	7,462	1,016,884	1,290,099	296,282	1,586,381

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	Six months ended 31 December	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	<u>33,797</u>	<u>278,137</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,859)	(142)
Interest received	<u>3,427</u>	<u>95</u>
Net cash used in investing activities	<u>(6,432)</u>	<u>(47)</u>
Cash flows from financing activities		
Decrease in amount due to a substantial shareholder	–	(265,167)
Proceeds from secured bank borrowings	–	888,889
Repayments of secured bank borrowings	(79,570)	(483,333)
Repayments of lease liabilities	(757)	(308)
Proceeds from issue of bond	–	9,000
Repayments of bond	(10,000)	–
Interest paid	(29,537)	(25,252)
Dividend paid to non-controlling interest	<u>(5,538)</u>	<u>(11,376)</u>
Net cash (used in)/generated from financing activities	<u>(125,402)</u>	<u>112,453</u>
Net (decrease)/increase in cash and cash equivalents	(98,037)	390,543
Effect of foreign exchange rate changes	31,253	498
Cash and cash equivalents at the beginning of the period	<u>419,095</u>	<u>32,377</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>352,311</u>	<u>423,418</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of 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 and biological assets 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 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 30 June 2020.

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 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

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 the lease payments received and receivable in the normal course of business, net of related taxes for the period. The Group is engaged in the property operating business during the period.

Information reported to the Board of the Company, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For the reporting period, management of the Company has determined that the Group has two operating segments (six months ended 31 December 2019: Two) as the Group is engaged in the property operating and biotechnology businesses, which is the basis used by the CODM. From a product perspective, management assesses the performance from property operating and biotechnology segments for the six months ended 31 December 2020 and 31 December 2019.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3 to the consolidated financial statements of the Company’s 2020 annual report. Segment results represent the profit or loss from the segments without allocation of income tax expense and central administration costs.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

One single tenant from property operating segment contributed to 10 per cent or more of the Group's revenue for the period ended 31 December 2020 (six months ended 31 December 2019: One). The total amount of revenue from this tenant was HK\$16,087,000 (six months ended 31 December 2019: HK\$14,058,000).

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from major business services:		
<i>Revenue within the scope of HKFRS 16</i>		
Rental income from leasing of properties	37,309	35,555
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Property management fee income	53,513	51,847
Property management – other related services	1,178	1,537
	54,691	53,384
	92,000	88,939
Disaggregated by timing of revenue recognition:		
<i>Over time:</i>		
Property management fee income	53,513	51,847
Property management – other related services	1,178	1,537
	54,691	53,384

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.

(ii) *Biotechnology*

There was no revenue generated in biotechnology segment during the reporting period.

Segment information

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

Six months ended 31 December 2020

	Property operating HK\$'000	Biotechnology HK\$'000	Consolidated HK\$'000
Revenue	<u>92,000</u>	<u>–</u>	<u>92,000</u>
Segment result	<u>(371,460)</u>	<u>(5,230)</u>	<u>(376,690)</u>
Income tax expense			97,364
Central administration costs			<u>(9,193)</u>
Loss for the period			<u>(288,519)</u>
Amounts included in the measure of segment loss			
Depreciation of property, plant and equipment	<u>663</u>	<u>121</u>	
Depreciation of right-of-use assets	<u>–</u>	<u>332</u>	

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Six months ended 31 December 2019	Property operating HK\$'000	Biotechnology HK\$'000	Consolidated HK\$'000
Revenue	<u>88,939</u>	<u>–</u>	<u>88,939</u>
Segment result	<u>23,825</u>	<u>(360)</u>	23,465
Income tax expense			(1,292)
Central administration costs			<u>(7,280)</u>
Profit for the period			<u>14,893</u>
Amount included in the measure of segment profit			
Depreciation of property, plant and equipment	<u>1,360</u>	<u>3</u>	

4. FINANCE COSTS

	Six months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on		
– Secured bank borrowings wholly repayable over five years	29,384	25,252
– Bonds	1,371	1,735
– Lease liabilities	141	25
	<u>30,896</u>	<u>27,012</u>

5. INCOME TAX CREDIT/(EXPENSE)

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Income tax recognised in profit and loss</i>		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	3,386	1,292
Deferred tax	(100,750)	–
	(97,364)	1,292

Hong Kong Profits Tax was calculated at 16.5% (six months ended 31 December 2019: 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.

As at 31 December 2020, no deferred tax liabilities (30 June 2020: 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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss/profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	789	1,368
Depreciation of right-of-use assets	928	288
Short-term leases	14,816	–
Exchange loss/(gain)	1,849	(270)
	<u> </u>	<u> </u>

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 2019: Nil).

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to the owners of the Company for the purposes of basic and diluted loss/earnings per share	(217,902)	9,352
	<u> </u>	<u> </u>

8. (LOSS)/EARNINGS PER SHARE (Continued)

	Six months ended 31 December	
	2020 '000 (unaudited)	2019 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	2,688,805	2,688,805
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	—	<u>1,954</u>
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	<u>2,688,805</u>	<u>2,690,759</u>

9. INVESTMENT PROPERTIES

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 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (audited)
Fair value		
Balance at the beginning of the period/year	2,637,363	2,806,818
Loss on fair value change on investment properties	(403,000)	(77,778)
Exchange realignment	<u>198,432</u>	<u>(91,677)</u>
Balance at the end of the period/year	<u>2,432,795</u>	<u>2,637,363</u>
Unrealised loss on property revaluation included in profit or loss	<u>(403,000)</u>	<u>(77,778)</u>

9. INVESTMENT PROPERTIES *(Continued)*

The carrying value of investment properties shown above comprises properties situated on:

	31 December 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (audited)
Land under medium-term leases in the PRC	<u>2,432,795</u>	<u>2,637,363</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2020 and 31 December 2019 has been arrived at on the basis of a valuation carried out at the end of the reporting period by International Valuation Limited (the "Valuer"), an independent qualified professional valuer not connected with the Group. The Valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards. The fair value was arrived at by reference to comparable sales transactions available in the relevant market together with income approach by capitalising the net rental income derived from the existing tenancies with under various terms.

The Group as lessor

Property rental income, management fee income and operating service income earned during the period was HK\$92,000,000 (six months ended 31 December 2019: HK\$88,939,000). All properties have committed tenants ranging from the next 1 to 13 years.

9. INVESTMENT PROPERTIES *(Continued)*

The Group as lessor *(Continued)*

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

	31 December 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (audited)
Within one year	161,653	131,452
In the second to fifth years inclusive	316,961	287,600
Over five years	308,468	306,408
	787,082	725,460

10. TRADE AND OTHER RECEIVABLES

	31 December 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (audited)
Trade receivables	4,243	3,769
Prepayment and other receivables	45,615	33,262
	49,858	37,031

As at 31 December 2020 and 30 June 2020, all trade receivables of the Group were presented in the functional currency of the relevant group entities.

10. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	31 December 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (audited)
0 – 60 days	3,696	3,532
61 – 90 days	360	104
Over 90 days	187	133
	<u>4,243</u>	<u>3,769</u>

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

Before accepting any new tenants, the Group assesses the potential tenants’ credit quality. 87% (30 June 2020: 94%) of trade receivables that are neither past due nor impaired have good credit rating under internal credit assessment adopted by the Group.

11. OTHER PAYABLES

	31 December 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (audited)
Receipts in advance	15,290	16,681
Deposits received from tenants	34,529	32,804
Accrued charges and other payables	11,835	7,527
	<u>61,654</u>	<u>57,012</u>

12. SECURED BANK BORROWINGS

The Group did not obtain any new borrowings during the period (30 June 2020: RMB435,000,000 and RMB365,000,000).

The effective interest rates per annum (which are equal to contractual interest rates) on the Group's floating-rate borrowings was 6.97%-7.21% for the six months ended 31 December 2020 (30 June 2020: 6.97%-7.21%).

The Group's secured bank borrowings are wholly repayable over nine years for the six months ended 31 December 2020 (30 June 2020: nine years) and secured by certain investment properties of the Group with aggregate carrying amounts for the six months ended 31 December 2020 of HK\$1,056,710,000 (30 June 2020: HK\$1,145,566,000) as set out in note 9.

13. BONDS

On 10 July 2013, the Company issued unlisted and non-transferable bond of HK\$10,000,000 to an independent third party at face value with issuing cost of HK\$120,000. The bond is interest bearing at 8.00% per annum, unsecured and repayable on the seventh anniversary of the date of issue. The bond was initially recognised at HK\$9,862,000 less issuing cost of HK\$120,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.33% (six months ended 31 December 2019: 8.33%) per annum. The bond was fully repaid during the period.

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, respectively. 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 2019: 8.05%) per annum.

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 31 December 2019: 8.00%) per annum.

13. BONDS (Continued)

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 31 December 2019: 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 movements of the liability component of the Group's bonds during the six months ended 31 December 2020 are as follows:

	HK\$'000
As at 1 July 2019 (audited)	35,287
Issue of bond	9,000
Effective interest charged for the year	3,550
Coupon interest paid/payable	<u>(3,494)</u>
As at 30 June 2020 (audited)	44,343
Repayment of bond	(10,000)
Effective interest charged for the period	1,371
Coupon interest paid/payable	<u>(1,374)</u>
As at 31 December 2020 (unaudited)	<u>34,340</u>

14. SHARE CAPITAL

	31 December 2020 HK\$'000 (unaudited)	30 June 2020 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>

15. 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	
	2020	2019
	'000	'000
Outstanding at 1 July (audited)	218,960	245,810
Granted during the period	–	–
Exercised during the period	–	–
Forfeited during the period	–	–
Lapsed during the period	–	–
	<hr/>	<hr/>
Outstanding at 31 December (unaudited)	218,960	245,810
	<hr/>	<hr/>

16. CAPITAL COMMITMENTS

	31 December	30 June
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure in respect of the acquisition of property, plant and equipment	429	1,494
	<hr/>	<hr/>

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	1,986	1,986
Retirement benefit scheme contributions	18	18
	<u>2,004</u>	<u>2,004</u>

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

18. EVENT AFTER THE REPORTING PERIOD

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

Management Discussion and Analysis

OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in property operating business and biotechnology business, which is a newly-introduced segment to be further developed.

The Group was engaged in the property operating segment during the Period through holding 75% equity interests in 鄭州佳潮物業服務有限公司 (Zhengzhou Jiachao Property Services Company Limited) (“Jiachao”) by the Company’s indirect wholly-owned subsidiary registered in the People’s Republic of China (the “PRC”). The major asset of Jiachao is a shopping mall situated in Zhengzhou City, Henan Province, the PRC (the “Jiachao’s Shopping Mall”). The Group owns the Jiachao’s Shopping Mall and generates revenue from the monthly incomes of rental, management and operating services payable by various tenants under the respective tenancy agreements with a remaining term ranging from one year to 13 years. The Jiachao’s Shopping Mall is a one-stop shopping paradise with over 140 tenants that offer a wide range of services and goods including shopping, dining and entertainment, such as a renowned department store, a cinema, a supermarket, KTV, beauty shops, electrical appliances shops, international labels for fashion, lifestyle, casual wear/sport, kid’s paradise and restaurants. Approximately 99.4% shop units in the Jiachao’s Shopping Mall were rented out as at 31 December 2020. Certain area of the Jiachao’s Shopping Mall was rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.

In addition, Jiachao leased shop units in a shopping mall (the “Zone C Shopping Mall”) from a real estate developer to the end of 2021. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao’s Shopping Mall. Jiachao promoted and further rented out the Zone C Shopping Mall to independent tenants. Jiachao has an advantage of having an existing team of caliber and experienced management and staff to run the Zone C Shopping Mall. As such, the extra costs for running the Zone C Shopping Mall is minimal to Jiachao while it is earning considerable amount of incomes from renting out the Zone C Shopping Mall 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 Jiachao 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. As at 31 December 2020, more than 98.2% of the commercial space 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 over 110 tenants including a cinema, an aquarium, jewelries, beauty shops, international labels for fashion, fitness, lifestyle, casual wear/sport, kid’s paradise and restaurants. Certain area of the Zone C Shopping Mall was rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.

The Group was also engaged in biotechnology segment through holding 60% equity interests in 紅河乾林生物科技有限公司 (Honghe Ganlin Biotechnology Company Limited) (“Ganlin Biotech”) by the Company’s indirect wholly-owned subsidiary registered in the PRC. Ganlin Biotech then holds the whole equity interest of 紅河乾林農業有限公司 (Honghe Ganlin Agriculture Company Limited). In addition, a factory with area of approximately 2,904 square meters and large pieces of land with an aggregated area of approximately 1,028,133 square meters all located in Honghezhou, Yunnan Province, the PRC, were leased for building the production line and planting raw material, respectively. Relevant machinery and equipment for the production process, such as process of distillation, purification and extraction etc., have all been installed for trial-run during the Period. The finished goods of the factory will be cannabidiol (“CBD”) processed for industrial use with its market in the North America and Europe. The target production quantity is expected to be approximately 2,000 kilograms per year.

The COVID-19 pandemic spreads across the globe starting from the beginning of 2020, since then, the situation around the world continues to change rapidly. The Board agrees that the Group’s business has been impacted by the current public health situation to certain extent. The situation in the PRC gradually improved during the Period, and business activities returned to normal. Thus, the Group had only supported a few tenants of the Jiachao’s Shopping Mall and the Zone C Shopping Mall by reducing their rental, management and operating service charges on different bases for the period from July to September 2020 with an aggregated amount of approximately HK\$681,000 (2019: Nil). The Group also granted permission to a small number of merchants with difficulties to postpone their payments of rent and settle monthly prepayment instead of original quarterly prepayment. Nevertheless, the Group still cites cost reduction as a key strategic focus to help navigate business uncertainty resulting from the global COVID-19 pandemic and ensures that the interests of tenants and customers continue to be protected and advanced in these difficult times, whilst prioritising the safety and well-being of the employees and business partners of the Group.

Revenue

For the Period, the Group recorded a revenue of approximately HK\$92,000,000 (2019: HK\$88,939,000), approximately 3.4% more than that in 2020. Since the Group holds the Jiachao’s Shopping Mall as investment properties during the Period, revenue of the Group included the monthly incomes of rental, management and operating services received and receivable from the tenants. Revenue of the Group also included the incomes generated from renting out the Zone C Shopping Mall to tenants. Slight increase in revenue during the Period was due to a trivial increment in income of rental, management and operating services. Moreover, there was no revenue generated from the biotechnology segment for the periods ended 31 December 2019 and 2020 since the official production was not yet started during the preliminary set-up stage and under trial-run of a production line, respectively.

Gross Profit

The gross profit margin was approximately 56.4% for the Period (2019: 61.8%). Relatively high gross profit margin was due to its simple costs of sales based on the business nature, such as water, electricity and heat supply charges, public security and hygiene expenses, repair and maintenance fees etc. in the property operating segment. Decrease in gross profit margin was mainly due to an increase in the lease payments of the Zone C Shopping Mall of approximately HK\$7,184,000 during the Period.

Loss for the Period

The Group's loss incurred for the Period was approximately HK\$288,519,000 (profit generated in 2019: HK\$14,893,000). The loss margin was 313.6% for the Period (profit margin in 2019: 16.7%). The profit and the profit margin both reduced significantly for the Period because of a significant decrease in fair value of the Group's investment properties, the Jiachao's Shopping Mall, of approximately HK\$403,000,000 as a result of the COVID-19 pandemic spreading across the globe since the first half year of 2020. If the loss on fair value of investment properties were excluded, the profit and profit margin for the Period would be maintained at the similar level as those for the period ended 31 December 2019.

Other Income

Other income for the Period was approximately HK\$15,981,000 (2019: HK\$8,209,000), which comprised mainly other kinds of income earned by Jiachao, such as car parking fees and other services provided to tenants. Increase in other income was due to the receipt of bank interest income from a term deposit, the forfeit of rental deposits from defaulted termination or withdrawal of shop units and the subsidies of employment support provided by the PRC and Hong Kong governments.

Expenses

Administrative expenses amounted to approximately HK\$17,503,000 (2019: HK\$19,997,000), representing approximately 19.0% (2019: 22.5%) of revenue for the Period. Administrative expenses decreased by approximately 12.5% because of a handling charge paid for two new bank borrowings obtained during the period ended 31 December 2019.

The carrying value of the Group's investment properties as at 31 December 2020 of approximately HK\$2,432,795,000 (30 June 2020: HK\$2,637,363,000) was stated at fair value based on an independent valuation as at that date, which produced a loss on fair value of investment properties of approximately HK\$403,000,000 (2019: Nil). This loss on fair value change on investment properties mainly reflected a less flourishing rental growth of the investment properties as a result of the COVID-19 pandemic spreading across the globe since the first half year of 2020. The attributable net loss on fair value change on investment properties of approximately HK\$226,688,000 (2019: Nil), after deducting related deferred tax liabilities and non-controlling interest, was debited to the condensed consolidated income statement.

Loss on fair value change on biological assets amounted to approximately HK\$2,386,000 (2019: Nil). The increase was due to the biotechnology business was preliminarily set up during the period ended 31 December 2019. The loss was caused by heavy rain during harvesting which had hindered trucks to enter the planting base and after that the plants withered.

Finance costs amounted to approximately HK\$30,896,000 (2019: HK\$27,012,000), representing approximately 33.6% (2019: 30.4%) of revenue for the Period. Finance costs increased by approximately 14.4% due to interest expenses of two bank borrowings incurred throughout the whole Period.

Dividend

The Board does not recommend the payment of an interim dividend for the Period (2019: Nil).

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 the relevant markets, with a view to enhance the Company's development and to maximise the shareholders' return. By doing this, the Group is engaged in property operating business and owns the Jiachao's Shopping Mall for rental purpose, which is situated in Zhengzhou City, Henan Province, the PRC.

The Group's long-term plans are to upgrade its tenants of the Jiachao's Shopping Mall by offering tenancies to more popular brands and will continue to diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group conducts large scale marketing and promotion activities so that a stable and constant stream of incomes and fairly consistent cash flow can be continuously generated to the Group. Apart from investing into the Jiachao's Shopping Mall, the Group provides rental, management and operating services by leasing the Zone C Shopping Mall from its real estate developer in order to expand the source of income.

During the Period, the Company planned to streamline the Group's businesses by segregating the property holding business and property operating business of Jiachao. The Group therefore with Jiachao's minority shareholder in the same shareholding proportion as in Jiachao established a company 鄭州中原錦藝商業運營管理有限公司 (Zhengzhou Zhongyuan Jinyi Commercial Operation Management Company Limited) ("Zhongyuan Jinyi") in the PRC. The Company indirectly owned 75% interests in Zhongyuan Jinyi. Consequently, Zhongyuan Jinyi would be engaged in the property operating business while Jiachao would be engaged in property holding business. The current tenants of Jiachao would be transferred to Zhongyuan Jinyi and such transfer is expected to complete in the second quarter of 2021. As part of this, Zhongyuan Jinyi would enter into tenancy agreements with Jiachao and the real estate developer in respect of the Group's shopping malls.

The Company will from time to time review the Group's operation, including its business, assets and financial position, and adopt such plans and acts which the Board considers will best benefit the Group and its shareholders as a whole, with an aim to maximise returns to shareholders as far as possible.

By aiming to diversify the types of business and increase the shareholders' return, the Group explored biotechnology segment since June 2019. A number of subsidiaries to produce the finished goods, CBD, were established in Honghezhou, Yunnan Province, the PRC, during the year ended 30 June 2020, including a subsidiary responsible for the provision of raw material for the purpose of supply stabilisation and quality assurance of CBD. A factory with area of approximately 2,904 square meters and large pieces of land with aggregated area of approximately 1,028,133 square meters were leased for building a production line and planting raw material, respectively. Moreover, the Industrial CBD Cultivation Approval License and the Industrial CBD Trial Production Approval License were already granted by the PRC regulatory body. The trial production was then carried out during the Period and relevant result was submitted to the PRC regulatory body. Once the Industrial CBD Production Approval License has been granted, the commercial production is expected to commence accordingly.

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 property operating and biotechnology markets, explore other new market potential and increase profit margin. Moreover, the Group manages and operates the property operating segment by the current caliber management and competent employees of subsidiaries and builds up biotechnology segment step by step with present and new resources. Simultaneously, the Group continues to implement conservative and stringent cost control policies in order to maintain sufficient working capital by imposing control over operating costs and capital expenditures and strengthening accounts receivable management.

The world will be a different place after the pandemic is over. This poses a tremendous challenge to the Group. Nevertheless, the Group has been striving to use all of its resources on hand flexibly to cope with the difficulties and uncertainties happened in the PRC during the Period and in the future. Extra prudence is needed in these unprecedented times; 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 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.

Looking forward, the Group continues to place additional resources to realise growth momentum from the development of property operating and biotechnology markets. The Jiachao's Shopping Mall is 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 property operating market in depth. As regulators in Australia, Europe and the North America had passed rules and regulations to recognise the legal status of cannabis begin widely used in food and beverages apart from medical and industrial use, the Group believes the future prospects of CBD to be increasingly optimistic. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future along with continuing development of the Belt and Road Initiative and the Internal/External Circular Economy that advocated by the PRC government. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximised in long-term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net current assets and total assets less current liabilities of approximately HK\$225,285,000 (30 June 2020: HK\$290,629,000) and HK\$2,718,340,000 (30 June 2020: HK\$2,978,960,000), respectively. The Group had maintained its financial position by financing its operations with internally generated resources, bonds and bank borrowings. As at 31 December 2020, the Group had cash and bank deposits of approximately HK\$352,311,000 (30 June 2020: HK\$419,095,000). The current ratio of the Group was approximately 227.3% (30 June 2020: 274.1%).

Total equity of the Group as at 31 December 2020 was approximately HK\$1,586,381,000 (30 June 2020: HK\$1,748,402,000). As at 31 December 2020, the total borrowings of the Group, repayable from within 12 months to over nine years from the end of the reporting period, denominated in RMB727,383,000 were equivalent to approximately HK\$864,050,000 (30 June 2020: HK\$874,523,000) and five bonds (30 June 2020: six bonds) measured at amortised cost was approximately HK\$34,340,000 in aggregate (30 June 2020: HK\$44,343,000). As at 31 December 2020, the gross debt gearing ratio (i.e. total borrowings and bonds/shareholders' fund) was approximately 56.6% (30 June 2020: 52.6%).

Though the return of funds has slowed down since the beginning of 2020 as a result of the global COVID-19 pandemic, the Group still has maintained and will continue to maintain a reasonable amount of working capital on hand in order to preserve 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 2020, the total borrowing facilities of the Group amounted to approximately HK\$864,050,000 (30 June 2020: HK\$874,523,000), of which, all facilities (30 June 2020: all facilities) was utilised. In addition, five bonds (30 June 2020: six bonds) amounted to approximately HK\$34,340,000 in aggregate (30 June 2020: HK\$44,343,000), measured at amortised cost, were arranged with four independent third parties.

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

CAPITAL STRUCTURE

As at 31 December 2020, the share capital of the Company comprises ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

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

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

CHARGE ON GROUP'S ASSETS

As at 31 December 2020, certain investment properties of the Group with aggregate carrying value of approximately HK\$1,056,710,000 (30 June 2020: HK\$1,145,566,000) were pledged to a bank to secure banking facilities granted to the Group.

STAFF POLICY

The Group had 160 employees altogether in the PRC and Hong Kong as at 31 December 2020. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contribution to fund the endowment insurance, unemployment insurance, medical insurance, employees' compensation insurance and birth insurance (for employers only) at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

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

CONTINGENT LIABILITIES

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2020, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, were as follows:

Long positions

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

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

Notes:

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

(b) *Share options*

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Lin Ye	Beneficial owner	2,080,000	2,080,000
Mr. Yang Zeqiang	Beneficial owner	2,080,000	2,080,000

Other than as disclosed above, none of the directors, chief executives or their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2020.

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 2020, 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	Interest in a controlled corporation (<i>Note</i>)	166,000,000	6.17%
Dresdner VPV N. V.	Investment manager	139,755,200	5.20%

Note: The 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. 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 2020.

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 33 to the consolidated financial statements of the Company's 2020 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 1.7.2020	Granted during the Period	Exercised during the Period	Forfeited during the Period	Lapsed during the Period	Outstanding at 31.12.2020
Directors									
Mr. Lin Ye	22.5.2014	22.5.2014 to 21.5.2024	0.166	2,080,000	-	-	-	-	2,080,000
Mr. Yang Zeqiang	22.5.2014	22.5.2014 to 21.5.2024	0.166	2,080,000	-	-	-	-	2,080,000
				<u>4,160,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,160,000</u>
Employees	15.1.2018	15.1.2018 to 14.1.2028	0.430	<u>214,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,800,000</u>
Granted Total				<u>218,960,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,960,000</u>

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

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

CODE ON CORPORATE GOVERNANCE

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company. Consequently, during the Period, the Company complied with the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

By order of the Board

Chen Jinyan

Chairman

Hong Kong

26 February 2021