



NEW CITY DEVELOPMENT GROUP LIMITED
新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0456)

INTERIM REPORT
2021

CONTENTS

	<i>Pages</i>
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	1
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7
MANAGEMENT DISCUSSION AND ANALYSIS	30
FINANCIAL REVIEW	32
OTHER INFORMATION	34

INTERIM RESULTS

The Board of Directors (the “Board”) of New City Development Group Limited (the “Company”) are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 (the “Period”) with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	5	90,464	18,771
Cost of goods sold and services provided		<u>(45,409)</u>	<u>(1,084)</u>
Gross profit		45,055	17,687
Other income	6	3,956	3,523
Administrative and other operating expenses		<u>(42,195)</u>	<u>(20,098)</u>
Profit/(loss) from operations		6,816	1,112
Share of loss of an associate		—	—
Finance costs	7	<u>(14,350)</u>	<u>(16,899)</u>
Loss before tax		(7,534)	(15,787)
Income tax expenses	8	<u>—</u>	<u>—</u>
Loss for the Period	9	<u>(7,534)</u>	<u>(15,787)</u>
Attributable to:			
Owners of the Company		(5,010)	(10,796)
Non-controlling interests		<u>(2,524)</u>	<u>(4,991)</u>
		<u>(7,534)</u>	<u>(15,787)</u>
Loss per share			
Basic	11(a)	<u>(0.17) cents</u>	<u>(0.28) cents</u>
Diluted	11(b)	<u>(0.17) cents</u>	<u>(0.28) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Loss for the Period	(7,534)	(15,787)
Other comprehensive income for the Period, net of tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	<u>1,615</u>	<u>(10,733)</u>
Total comprehensive income for the Period	<u>(5,919)</u>	<u>(26,520)</u>
Attributable to:		
Owners of the Company	(3,329)	(21,085)
Non-controlling interests	<u>(2,590)</u>	<u>(5,435)</u>
	<u>(5,919)</u>	<u>(26,520)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	107,916	56,449
Investment properties	13	853,073	848,373
Intangible assets		35,802	32,410
Right-of-use assets		11	889
Financial assets at fair value through other comprehensive income ("FVTOCI")		28,253	28,253
Prepayments, deposits and other receivables	14	—	36,616
Deferred tax assets		39,723	39,723
		1,064,778	1,042,713
CURRENT ASSETS			
Financial assets at fair value through profit or loss ("FVTPL")	15	31,657	34,577
Inventories		15,305	7,660
Properties under development and held for sale		445,565	401,264
Prepayments, deposits and other receivables	14	588,882	401,800
Due from associates		14	14
Due from a related company		14	14
Due from non-controlling shareholders		950	1,082
Cash and bank balances		42,852	43,458
		1,125,239	889,869
CURRENT LIABILITIES			
Accruals and other payables		126,349	30,442
Deposits received		18,159	16,003
Borrowings	16	15,009	14,633
Lease liabilities		315	515
Due to a non-controlling shareholder		3,475	3,417
Due to related parties		11,481	5,867
Due to a director		1,694	1,708
Promissory notes		5,446	5,446
		181,928	78,031

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
NET CURRENT ASSETS		943,311	811,838
TOTAL ASSETS LESS CURRENT LIABILITIES		2,008,089	1,854,551
NON-CURRENT LIABILITIES			
Accruals and other payables		188,006	315,440
Borrowings	16	800,507	514,703
Lease liabilities		688	878
Promissory notes		4,609	4,609
Deferred tax liabilities		228,161	226,884
		1,221,971	1,062,514
NET ASSETS		786,118	792,037
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	17,309	17,309
Reserves		750,001	753,330
		767,310	770,639
Non-controlling interests		18,808	21,398
TOTAL EQUITY		786,118	792,037

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Convertible			Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
					Notes reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Reserve (Unaudited) HK\$'000				
At 1 January 2021 (audited)	17,309	585,887	4,755	(22,138)	—	18,604	166,222	770,639	21,398	792,037	
Restated balance at 1 January 2021	17,309	585,887	4,755	(22,138)	—	18,604	166,222	770,639	21,398	792,037	
Total comprehensive income for the Period	—	—	—	1,681	—	—	(5,010)	(3,329)	(2,590)	(5,919)	
At 30 June 2021	<u>17,309</u>	<u>585,887</u>	<u>4,755</u>	<u>(20,457)</u>	<u>—</u>	<u>18,604</u>	<u>161,212</u>	<u>767,310</u>	<u>18,808</u>	<u>786,118</u>	
At 1 January 2020 (audited)	14,459	536,737	4,755	(53,960)	—	18,604	194,172	714,767	26,845	741,612	
Restated balance at 1 January 2020	14,459	536,737	4,755	(53,960)	—	18,604	194,172	714,767	26,845	741,612	
Conversion on subscription	<u>2,850</u>	<u>49,150</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,000</u>	<u>—</u>	<u>52,000</u>	
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	
Total comprehensive income for the Period	—	—	—	(10,289)	—	—	(10,796)	(21,085)	(5,435)	(26,520)	
	<u>2,850</u>	<u>49,150</u>	<u>—</u>	<u>(10,289)</u>	<u>—</u>	<u>—</u>	<u>(10,796)</u>	<u>30,915</u>	<u>(5,435)</u>	<u>25,480</u>	
At 30 June 2020	<u>17,309</u>	<u>585,887</u>	<u>4,755</u>	<u>(64,249)</u>	<u>—</u>	<u>18,604</u>	<u>183,376</u>	<u>745,682</u>	<u>21,410</u>	<u>767,092</u>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(214,561)	1,497
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(54,931)	(1,965)
Interest received	13	17
NET CASH USED IN INVESTING ACTIVITIES	(54,918)	(1,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of promissory note	—	(12,000)
Subscription of new shares	—	52,000
Repayment of borrowings	(590)	(8,497)
Principal elements of lease payment	(390)	(797)
Loans from bank	286,770	9,931
Interest paid	(14,327)	(14,189)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	271,463	26,448
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,984	25,997
CASH AND CASH EQUIVALENTS AT 1 JANUARY	43,458	11,175
Effect of foreign exchange rate changes	(2,590)	(5,345)
CASH AND CASH EQUIVALENTS AT 30 JUNE	42,852	31,827
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	42,852	31,827

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATION INFORMATION

New City Development Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 10 August 1998. The registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1–1205 Cayman Islands and its principal place of business in Hong Kong is situated at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Group are principally engaged in property development and investment in the People’s Republic of China (the “PRC”); operation of supermarket retail; and sales of buses.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (the “Condensed Consolidated Financial Statements”) have not been audited or reviewed by the Company’s auditor but reviewed by the Audit Committee and approved for issue by the Board on 30 August 2021.

2. BASIS OF PREPARATION

The Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Condensed Consolidated Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020 (the “2020 Annual Financial Statements”) which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. HKFRSs comprises Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations. Except as described in note 3 below, the accounting standards and methods of computation used in the preparation of the Condensed Consolidated Financial Statements are consistent with those used in the 2020 Annual Financial Statements.

The Condensed Consolidated Financial Statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED HKFRSS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in property development and investment in PRC, operation of supermarket retail, and sales of buses. Accordingly, there are three reportable segments of the Group.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those accounting policies of the Group described in 2020 Annual Financial Statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, share of loss of an associate, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables, financial assets at FVTPL, amounts due from associates, a related company and non-controlling shareholders and cash and bank balances. Segment liabilities do not include unallocated accruals and other payables, borrowings, lease liabilities, amounts due to a non-controlling shareholder, related parties and a director, convertible notes and deferred tax liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Property development and investment (Unaudited) <i>HK\$'000</i>	Retail and related (Unaudited) <i>HK\$'000</i>	Sales of buses (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2021				
Revenue from external customers	29,410	61,054	—	90,464
Segment profit	39,055	6,000	—	45,055
As at 30 June 2021				
Segment assets	1,298,638	59,145	7,660	1,365,443
Segment liabilities	18,136	19,047	23	37,206
Six months ended 30 June 2020				
Revenue from external customers	18,771	—	—	18,771
Segment profit	17,687	—	—	17,687
As at 31 December 2020				
Segment assets	(Audited) 1,249,637	(Audited) —	(Audited) 7,660	(Audited) 1,257,297
Segment liabilities	<u>16,003</u>	<u>—</u>	<u>—</u>	<u>16,003</u>

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit or loss		
Total profit of reportable segments	45,055	17,687
Other income	3,956	3,523
Administrative and other operating expenses	(42,195)	(20,098)
Finance costs	(14,350)	(16,899)
	<hr/>	<hr/>
Consolidated loss before tax	(7,534)	(15,787)

Reconciliations of segment assets or liabilities:

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Total assets of reportable segments	1,365,443	1,257,297
Property, plant and equipment	56,416	56,449
Intangible assets	35,802	32,410
Right-of-use assets	11	889
Financial assets at FVTOCI	28,253	28,253
Deferred tax assets	39,723	39,723
Financial assets at FVTPL	31,657	34,577
Prepayments, deposits and other receivables	588,882	438,416
Due from associates	14	14
Due from a related company	14	14
Due from non-controlling shareholders	950	1,082
Cash and bank balances	42,852	43,458
	<hr/>	<hr/>
Consolidated total assets	2,190,017	1,932,582

	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Liabilities		
Total liabilities of reportable segments	37,206	16,003
Accruals and other payables	295,308	345,882
Borrowings	815,516	529,336
Lease liabilities	1,003	1,393
Due to non-controlling shareholders	3,475	3,417
Due to related parties	11,481	5,867
Due to a director	1,694	1,708
Promissory notes	10,055	10,055
Deferred tax liabilities	228,161	226,884
	<hr/>	<hr/>
Consolidated total liabilities	1,403,899	1,140,545

Geographical information

The Group's revenue from external customers by location of operations are detailed below:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	90,464	18,771
Hong Kong	—	—
	<hr/>	<hr/>
Consolidated total revenue	90,464	18,771

Over 90% of the Group's non-current assets (excluding right-of-use assets, investments in associates, financial assets at FVTOCI and prepayments, deposits and other receivables) are located in the PRC. Accordingly, no further geographical information of non-current assets is required to be disclosed.

5. REVENUE

An analysis of the Group's revenue for the Period is as follows:

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Services transferred over time		
Rental income and related management service income	43,364	18,771
Products transferred at a point in time		
Income from sales of goods	47,100	—
	<u>90,464</u>	<u>18,771</u>

6. OTHER INCOME

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Interest income	3,938	3,517
Others	18	6
	<u>3,956</u>	<u>3,523</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	14,327	14,208
Interest on leases liabilities	23	12
Imputed interest on promissory notes	—	2,679
	<u>14,350</u>	<u>16,899</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC	<u>—</u>	<u>—</u>

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2021 and 2020.

Taxes on profits in respect of the Group's companies operating elsewhere have been calculated at the rates of tax prevailing in the respective tax countries/jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

9. LOSS FOR THE PERIOD

The Group's loss for the Period has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,041	2,890
Depreciation of right-of-use assets	4,811	704
Fair value loss on financial assets at FVTPL	<u>3,926</u>	<u>2,233</u>

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2020: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owner of the Company used in the basic loss per share calculation	<u>(5,010)</u>	<u>(10,796)</u>
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	<u>4,327,164,504</u>	<u>3,837,927,713</u>

(b) Diluted loss per share

No adjustment has been made to the basic loss per share for six months ended 30 June 2021 in respect of a dilution because there were no potentially dilutive events existed (2020: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately HK\$51,796,000 (2020: Nil).

13. INVESTMENT PROPERTIES

	Properties at fair value (Unaudited) <i>HK\$'000</i>	Properties at cost (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Completed project			
Carrying amount at 1 January 2021	774,735	—	774,735
Exchange realignment	4,156	—	4,156
Carrying amount at 30 June 2021	<u>778,891</u>	<u>—</u>	<u>778,891</u>
Incomplete project			
Carrying amount at 1 January 2021	—	73,638	73,638
Additions	—	—	—
Exchange realignment	—	544	544
Carrying amount at 30 June 2021	<u>—</u>	<u>74,182</u>	<u>74,182</u>
Aggregate carrying amount			
Investment properties in Guangzhou (<i>note (a)</i>)	778,891	—	778,891
Investment properties in Luoyang (<i>note (b)</i>)	—	74,182	74,182
Investment properties in Zhuhai (<i>note (c)</i>)	—	—	—
At 30 June 2021	<u>778,891</u>	<u>74,182</u>	<u>853,073</u>
Investment properties in Guangzhou (<i>note (a)</i>)	774,735	—	774,735
Investment properties in Luoyang (<i>note (b)</i>) and Zhuhai (<i>note (c)</i>)	—	73,638	73,638
At 31 December 2020 (audited)	<u>774,735</u>	<u>73,638</u>	<u>848,373</u>

Notes:

- (a) Investment properties in Guangzhou (the “Guangzhou Properties”) are situated at Nos. 20–22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases. The Guangzhou Properties were leased to tenants under operating leases for earning rental income and management service income and were stated at fair value at the end of the reporting period.

At 30 June 2021, the Guangzhou Properties with carrying amount of approximately HK\$778,891,000 (31 December 2020: HK\$774,735,000) were pledged to secure bank borrowings, details of which are set out in note 17 to the Unaudited Condensed Consolidated Financial Statements.

Fair value hierarchy

As at 30 June 2021 and 31 December 2020, the fair value measurement of the Guangzhou Properties was using Level 3 — significant unobservable input.

There were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value measurement

The Guangzhou Properties are held for the purpose of generating rental income and/or for capital appreciation. The directors considered that the adoption of the income approach is appropriate in accessing the fair value of the Guangzhou Properties. Accordingly, the fair value of the Guangzhou Properties was determined based on the income approach.

Information about the Level 3 fair value measurement is as follows:

Description	Fair value		Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000			
Industrial properties	778,891	774,735	Income approach	Estimated rental income (per square metre and per month) with a range from RMB55 to RMB80	The higher the rental income, the higher the fair value
				Discount rate at 4.5%	The higher the discount rate, the lower the fair value

There was no change in the valuation techniques used.

- (b) Investment properties in Luoyang (the “Luoyang Properties”) represented a parcel of land under construction which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Luoyang New Area, Luoyang, Henan, PRC. The Luoyang Properties were acquired through the acquisition of the subsidiaries during the year ended 31 December 2015. The Luoyang Properties comprise a parcel of land held under medium term leases with a site area of 69,942.185 square metres which can be developed into a total gross floor area of 173,724.12 square metres.

Its carrying amount comprised the land use right and directly attributable costs and was stated at acquisition cost of approximately RMB61,782,000 (equivalent to approximately HK\$70,228,000(31 December 2018: HK\$70,346,000)), and less impairment, if any. The directors are of opinion that the construction plan of the Luoyang Properties has yet been determined as at 30 June 2019 and accordingly, its fair value cannot be measured reliably.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) of the Luoyang Properties, which was entered into between Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) (“Luoyang Wan Heng”), a subsidiary of the Company and 洛陽國土資源局 (“洛陽國土局”) on 1 February 2013, Luoyang Wan Heng is required to commence and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the “Construction Period”), respectively. A penalty (the “Penalty”) is calculated at 0.1% per day on the original consideration paid by Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK\$37,490,000), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “Forfeiture”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a Notice of Investigation of Idle Land (閒置土地調查通知書) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“洛陽規劃局”). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範

區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties was minimal adjusted. The Group are negotiating with 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the change of Luoyang Properties in order to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Up to the approval date of these Unaudited Condensed Consolidated Financial Statements, the construction plan of the Luoyang Properties has yet been approved by 洛陽規劃局.

In preparing these Unaudited Condensed Consolidated Financial Statements, the directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 30 June 2020 and 31 December 2019.

At 30 June 2021, the Luoyang Properties with carrying amount of approximately HK\$74,182,000 were pledged to secure bank borrowings, details of which are set out in note 17 to the Unaudited Condensed Consolidated Financial Statements.

- (c) Investment properties in Zhuhai (the “Zhuhai Properties”) represented the construction in progress of a parcel of land which are situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province the PRC. The Zhuhai Properties were acquired through the acquisition of a subsidiary during the six months ended 30 June 2019. The Zhuhai Properties comprise a parcel of land held under medium term leases with a site area of 11,956.46 square metres under State-owned Land Use Rights Certificate (國有土地使用證).

Its carrying amount comprised the land use right and directly attributable costs and was stated at cost of approximately RMB301,117,000 (equivalent to approximately HK\$330,084,000), and less impairment, if any. The directors are of opinion that the construction of the Zhuhai Properties has yet been completed as at 30 June 2021 and accordingly, its fair value cannot be measured reliably.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Prepayments		
— Prepaid for the Luoyang Properties (<i>note (a)</i>)	7,561	7,506
— Prepaid for the Zhuhai Properties (<i>note (b)</i>)	434,077	256,137
— Prepaid for 新益 suppliers	30,173	—
— Others	20,823	30,515
Deposits held by		
— Vision Products Limited (<i>note (c)</i>)	—	5,980
— An independent contractor (<i>note (c)</i>)	—	49,520
— Others	992	992
Receivables		
— Others	1,469	—
Other receivables		
— Due from 北京中証房地產開發有限公司 (<i>note (d)</i>)	65,326	62,330
— Others	56,190	53,165
	616,611	466,145
Less: Allowance for doubtful debts	(27,729)	(27,729)
	588,882	438,416
Less: Non-current portion	—	(36,616)
Current portion	588,882	401,800

Notes:

- (a) As at 30 June 2021, an aggregate amount of approximately RMB6,297,000 (equivalent to approximately HK\$7,561,000) (2020: RMB6,297,000 (equivalent to approximately HK\$7,506,000)) has been prepaid by the Group to the construction of Luoyang Properties.
- (b) As at 30 June 2021, an aggregate amount of approximately RMB361,519,846 (equivalent to approximately HK\$434,076,879) has been prepaid by the Group to the construction of Zhuhai Properties.
- (c) The Group entered into a memorandum of understanding (the “Vision Products MOU”) with Vision Products Limited (“Vision Products”) on 20 June 2016, pursuant to which, the Group engaged Vision Products as a consultant to lead a project on the development of cultural business in different brands and icons that the Group believes which would further contribute to the value of the Group. Vision Products has the experience and track records of building up cultural products and design of branded products and icons for various multinationals which are very popular in Europe and other markets worldwide. Pursuant to the Vision Products MOU, the Group has made deposit of approximately HK\$5,980,000 (the “Vision Deposit”) to Vision Products for its exclusive development for themed business so as to achieve their objective and target, (i) the attraction of family-based target consumer group with exclusive procurement of cultural products; (ii) promotion of different themes to the Group; and (iii) the nurture for people and family-based audience to become aware of our brands, products and the Group. In order to continue its effort in implementing the theme of “New Day, New Life, New City” (“New Day Project”), and to cooperate with the development of retail business of YBJ supermarket operation by 珠海市新益商貿有限公司 (“Zhuhai Xin Yi”) and the renovation of Zhuhai Xin Yi’s entire supermarket project, the Group has drawn up the business plan in Zhuhai to invest in the New Day Project since 2021. As of 30 June 2021, the funds have been put into use and acceptance, and have been able to produce benefits. Accordingly, HK\$4,000,000 of such amount is recognised as commercial activities and advertising expenses incurred for the promotion of the lifestyle brand of the New Day Project and is no longer included in the deposit.

The Group has further taken this opportunity to leverage the expertise of Vision Products to contribute to the renovation of the Guangzhou Properties for upgrading it with new edge concept and value enhancement in collaboration with 廣州市青年設計師協會 (“GZYDA”) in contributing to the design conceptualisation into the properties improvement. To ensure the technical, engineering and construction requirement can be performed to express the design conceptualisation created by Vision Products and GZYDA, Vision Products would have to seek qualified engineering company to lead the renovation for the Group’s final decision and appointment.

However, in order to ensure the Group is having the financial strength and have specifically reserved the funding for such appointment of a well-qualified engineering company for the project, Vision Products has requested for a refundable deposit of approximately HK\$49,520,000 (the “Escrow Amount”) be escrowed for the specific purpose of construction cost involved in the renovation project so these contractors being approached by Vision Products would be comfortable and the necessary funding can be swiftly transferred to the selected contractor to fix the cost of the renovation upon the completion of the formal appointment with the selected contractor. The Group would then have a direct contractual relationship with the selected contractor being appointed.

As at 30 June 2021 and 31 December 2020, the Escrow Amount was held by an independent contractor as deposit for project development of Guangzhou properties of the Group. As of 30 June 2021, Vision Products has selected a qualified contractor and transferred HK\$51,500,000 to the contractor for the renovation and optimization of supply chain equipment for the entire construction of the New Day Project and the purchase and leasing of property, plant and equipment required for the logistics and supply chain operations, etc. to integrate the retail business of YBJ supermarket through Zhuhai Xin Yi. The Group has transferred such amounts to property, plant and equipment, which are no longer included in the deposit.

- (d) The amount represented outstanding receivables from 北京中証, a former subsidiary of the Company which was disposed of in 2010, as a result of the following sequence of events.

The Company received a civil summons dated 15 May 2014 from the Higher People’s Court of Beijing City (the “Higher Court”), pursuant to which, an application for retrial of a civil court case (the “Litigation”) had been filed by 上海復旦光華信息科技股份有限公司 (“上海復旦”). The Litigation was stemmed from a series of civil court proceedings commenced by 上海復旦 in Beijing No. 1 Intermediate People’s Court and the other courts in the PRC since 2003 which alleged that 北京中証 had failed to perform its obligation under a sale contract dated 27 June 2002 entered into between 北京中証 and 上海復旦 for selling certain real properties (the “Properties Transactions”) in the PRC to 上海復旦 at a consideration of approximately US\$1,755,000 (equivalent to approximately HK\$13,749,000) (the “Allegation”). The Company became one of defendants as 上海復旦 claimed that Mr. Leung Kwo (梁戈) (“Mr. Leung”), a former director and chairman of the Company, entered into a guarantee agreement (the “Guarantee Agreement”) with 上海復旦 on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee 上海復旦 that 北京中証 should perform its obligation under the Properties Transactions.

In view of the Litigation, the directors of the Company have conducted extensive investigations, in which the directors have (i) inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to identify if the Allegation has ever been brought to the attention of the directors; (ii) contacted the key management personnel of 北京中証 for ascertaining the merits of the Allegation; (iii) discussed in their meeting to determine the financial impact of the Litigation and the Allegation; and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the “Lawyers”) in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the directors and they did not approve and sign the Guarantee Agreement; and (ii) 北京中証 was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation.

On 29 July 2015, the Company received, through the Lawyer, the judgment dated 14 May 2015 (the “Judgment”) granted by the Higher Court in respect of the Litigation, pursuant to which, the Higher Court overruled its own judgment dated 26 July 2013 and upheld the judgment dated 10 November 2010 granted by Beijing No.1 Intermediate People’s Court. The Higher Court ruled that both the Properties Transactions and the Guarantee Agreement were legally effective. The Higher Court also ordered that both the Company and 北京中証 shall be jointly liable to repay to 上海復旦 the sum of RMB14,530,000 (equivalent to approximately HK\$17,318,000 (2019: HK\$16,237,000)) together with interest accrued thereon from 1 July 2002 up to the date of payment (collectively, the “Judgment Debt”) which was preliminarily estimated by the directors to be approximately RMB27,660,000 (equivalent to approximately HK\$32,968,000 (2019: HK\$30,910,000)).

On 30 November 2015, the Company entered into a subscription agreement (the “Subscription Agreement”) with Mr. Zhu Ya Yong (朱亞勇) (the “Subscriber”), pursuant to which, the Subscriber agreed to negotiate with 上海復旦 for the entering into a debt settlement agreement between the Company, 上海復旦 and the Subscriber. It was intended that upon the completion of the debt settlement agreement, (i) the Company’s obligation to repay the Judgement Debt will be assumed or satisfied by the Subscriber; and (ii) the Company will be indebted to the Subscriber for a sum of HK\$33,606,830 which will be satisfied by way of the issuing of 136,060,042 shares of the Company at a subscription price of HK\$0.247 per share.

Subsequently, 北京億隆悅泰投資有限公司 (“北京億隆”), a related company of the Subscriber) was nominated by the Subscriber for the negotiation with 上海復旦 and reached a settlement of the Judgment Debt at an aggregate amount of RMB27,000,000 (equivalent to approximately HK\$32,181,000 (2019: HK\$30,173,000)). Accordingly, the Company entered into a debt settlement agreement (執行和解協議) (the “Debt Settlement Agreement”) with 上海復旦 and 北京億隆 on 9 December 2015, pursuant to which, the amount of the Judgment Debt was agreed at RMB27,000,000 (equivalent to approximately HK\$32,181,000 (2019: HK\$30,173,000)) which is interest-free, guaranteed and secured by a property of 北京億隆 (the “Yi Long Property”) and (i) as to RMB3,000,000 (equivalent to approximately HK\$3,576,000 (2019: HK\$3,353,000)) payable at the date of signing of the Debt Settlement Agreement; and (ii) the remaining balance of RMB24,000,000 (equivalent to approximately HK\$28,606,000 (2019: HK\$26,820,000)) repayable by 4 quarterly installments on 31 March, 30 June, 30 September and 31 December 2016, respectively.

On 30 December 2015, the Company further entered into an agreement (關於執行和解協議之四方協議) (the “Four Parties Agreement”) with the Subscriber, 北京億隆 and 北京創意金典投資諮詢服務有限公司 (“北京創意”), a company controlled by the Subscriber, pursuant to which, (i) the Subscriber undertakes the settlement of the Judgement Debt for the Company; (ii) 北京億隆 pledges the Yi Long Property to 上海復旦 as security against the Judgement Debt; and (iii) 北京創意 pays on behalf of the Subscriber RMB3,000,000 (equivalent to approximately HK\$3,576,000 (2019: HK\$3,353,000)) of the Judgement Debt. The directors are of the opinion that upon the entering of the Four Parties Agreement, the Company’s obligation to repay the Judgement Debt has been assumed or satisfied by the Subscriber and therefore, the Company was indebted to the Subscriber in the sum of HK\$33,606,830 which was satisfied by the issuing of 136,060,042 shares of the Company at a subscription price of HK\$0.247 per share under the Subscription Agreement on 30 December 2015.

In view of the Litigation, the directors have taken appropriate actions to negotiate with 北京中証 for recovery of the Judgement Debt.

On 7 March 2016, the Company entered into an agreement (關於支付承諾款項之三方協議) (the “Debt Recovery Agreement”) with 北京中証, pursuant to which, 北京中証 agreed to fully repay the Judgement Debt to the Company together with (i) an interest at 15% per annum; and (ii) a fixed fee of RMB5,000,000 (equivalent to approximately HK\$5,960,000 (2019: HK\$5,588,000)) as compensation (collectively, the “Recoverable Debt”). The Recoverable Debt shall be settled on or before 7 March 2018 and is guaranteed by 北京桑普新源技術有限公司 (“北京桑普”), an independent third party.

On 5 February 2021, the Company entered in to a supplementary agreement (債務重組框架協議) (the “Debt Recovery Framework Agreement”) with 北京中証 to further extend the settlement date of Recoverable Debt on or before 4 February 2023 by 北京中証.

15. FINANCIAL ASSETS AT FVTPL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Listed equity investment, at market value in Taiwan	<u>31,657</u>	<u>34,577</u>

The fair value of the equity investment as of 30 June 2021 was determined based on the quoted market bid price (level 1 fair value measurement) available on The Taiwan Stock Exchange.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS, SECURED

	Effective interest rate (%)	Maturity	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Bank loan — CZBANK Loan (<i>note (a)</i>)	8.085	2030	312,504	316,066
Bank loan — GZBANK Loan (<i>note (b)</i>)	7.153	2025	214,844	213,270
Bank loan — GZBANK Loan (<i>note (c)</i>)	8.000	2025	288,168	—
			<u>815,516</u>	<u>529,336</u>

Analysed into:

Repayable:

Within one year or on demand	15,009	14,633
In the second to fifth years, inclusive	620,402	321,552
Over five years	180,105	193,151
Total	815,516	529,336
Non-current portion	<u>(800,507)</u>	<u>(514,703)</u>
Current portion	<u>15,009</u>	<u>14,633</u>

Notes:

- (a) On 20 June 2018, Guangdong Changliu entered into a loan agreement with China Zheshang Bank Co., Ltd. (“CZBANK”), pursuant to which, CZBANK agreed to grant a loan (the “CZBANK Loan”) in the amount of RMB280,000,000 (equivalent to approximately HK\$318,808,000) to Guangdong Changliu for a term of 12 years, which is secured by the Guangzhou Properties and personal guarantee provided by Mr. Han. The CZBANK Loan bears interest rate at 8.085%, 165% of the benchmark annual lending and deposit rate of the People’s Bank of China, which is repayable on a quarterly basis. The principal amount of the CZBANK Loan is repayable by 48 instalments starting from 20 September 2019 and will mature on 7 May 2030.
- (b) On 9 October 2020, Zhuhai Teng Shun entered into a loan agreement with Bank of Guangzhou Co., Ltd. (“GZBANK”), pursuant to which, GZBANK agreed to grant a loan (the “GZBANK Loan”) in the amount of RMB98,932,000 (equivalent to approximately HK\$117,918,000) and RMB80,000,000 (equivalent to approximately HK\$95,352,000) on 12 November 2020 and 8 December 2020 respectively to Zhuhai Teng Shun for a term of 5 years, which is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun and Luoyang Wan Heng, corporate guarantee provided by Guangdong Changliu, Guangzhou Chang Yang Investment Company Limited (廣州暢揚投資股份有限公司) (“Guangdong Changyang”) and non-controlling shareholders, and personal guarantee provided by Mr. Han, a legal representative of a subsidiary and a key management personnel of a related company. The GZBANK Loan bears interest rate from 7.0332% to 7.153%, 365% of the benchmark annual lending and deposit rate of the People’s Bank of China, which is repayable on a monthly basis. The principal amount of the GZBANK Loan is repayable by instalments starting from 24th month from the first withdrawal date or the 6th month after the project obtains pre-sale certificate for the first time, which is earlier, and will mature on 12 November 2025.
- (c) On 9 October 2020, Zhuhai Teng Shun entered into a loan agreement with Bank of Guangzhou Co., Ltd. (“GZBANK”), pursuant to which, GZBANK agreed to grant a loan (the “GZBANK Loan”) in the amount of RMB80,000,000 (equivalent to approximately HK\$96,056,000) and RMB160,000,000 (equivalent to approximately HK\$192,112,000) on 20 February 2021 and 20 May 2021 respectively to Zhuhai Teng Shun for a term of 5 years, which is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun and Luoyang Wan Heng, corporate guarantee provided by Guangdong Changliu, Guangzhou Chang Yang Investment Company Limited (廣州暢揚投資股份有限公司) (“Guangdong Changyang”) and non-controlling shareholders, and personal guarantee provided by Mr. Han, a legal representative of a subsidiary and a key management personnel of a related company. The GZBANK Loan bears interest rate from 7.0332% to 7.153%, 365% of the benchmark annual lending and deposit rate of the People’s Bank of China, which is repayable on a monthly basis. The principal amount of the GZBANK Loan is repayable by instalments starting from 24th month from the first withdrawal date or the 6th month after the project obtains pre-sale certificate for the first time, which is earlier, and will mature on 12 November 2025.

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.004 each		
At 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	<u>10,000,000,000</u>	<u>40,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.004 each		
At 1 January 2020 (audited)	3,614,835,737	14,459
Completion of the subscription of new shares (<i>note (a)</i>)	<u>712,328,767</u>	<u>2,850</u>
At 31 December 2020, 1 January 2021 and 30 June 2021 (unaudited)	<u>4,327,164,504</u>	<u>17,309</u>

Notes:

- (a) All the Conditions Precedent to completion of the Subscription have been fulfilled and the completion of the Subscription took place on 5 May 2020.

The Subscription Shares, being 712,328,767 new shares, have been subscribed by the Subscriber at the Subscription Price of HK\$0.073 per Subscription Share pursuant to the terms and conditions of the Subscription Agreement.

18. OTHER COMMITMENTS

The Group had the following commitments as at 30 June 2021.

(a) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the “Partner”), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited (“NC Fortune Medicare”) was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the “Shanghai Subsidiary”) for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000 (equivalent to approximately (HK\$1,200,700)), which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. The Shanghai Subsidiary has not been established as at the date of approval of the Condensed Consolidated Financial Statements. As of 30 June 2021, none of the RMB340,000 (equivalent to approximately (HK\$408,238)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitments

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Construction design contracts for the Luoyang Properties	<u><u>5,747</u></u>	<u><u>5,747</u></u>

19. CONTINGENT LIABILITIES

Investment properties in Luoyang (the “Luoyang Properties”) represented a parcel of land under construction which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Luoyang New Area, Luoyang, Henan, PRC.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) (the “Land Use Right Agreement”) of the Luoyang Properties, which was entered into between Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) (“Luoyang Wan Heng”), a subsidiary of the Company and 洛陽國土資源局 (“洛陽國土局”) on 1 February 2013, Luoyang Wan Heng is required to commence and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the “Construction Period”), respectively. A penalty (the “Penalty”) is calculated at 0.1% per day on the original consideration paid by Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately (HK\$37,545,889)), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the “Forfeiture”) by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a Notice of Investigation of Idle Land (閒置土地調查通知書) from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 (“洛陽規劃局”). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties were minimal adjusted. The Group are negotiating with 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the changed of Luoyang Properties in order to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Up to the approval date of the Condensed Consolidated Financial Statements, the construction plan of the Luoyang Properties has yet been approved by 洛陽市城鄉一體化示範區商務中心區辦公室.

In preparing the Condensed Consolidated Financial Statements, the Directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the Directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 30 June 2021.

20. RELATED PARTIES TRANSACTIONS

Save as those disclosed elsewhere in this announcement, the Group had the following material transactions with related/connected companies during the Period:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses paid to related/connected companies	<u>777</u>	<u>777</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of approximately HK\$90,464,000 and recorded a loss after tax of approximately HK\$7,534,000 for the six months ended 30 June 2021.

PROSPECT AND OUTLOOK

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit. Profit generated from the rental and related management service of Changliu slightly decreased as compared to last corresponding period. The leasing of Changliu will continue to be one of the Group's main commercial activities. The Group expects that the rental income from Changliu will be maintainable in the coming year.

Since year 2019, the Group has already planned to launch its "New Day, New Life, New City" theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in the Greater Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company, all these have made a perfect integration and implementation of the aforesaid theme of the Group in the year 2020.

Supermarket Business, PRC

During the period under review, the outbreak of COVID-19 has adversely and significantly impacted the retail industry. The management has discussed with the partner of the retail business of YBJ supermarket operation. Having reviewed the current situation, the Company has determined to commence substantial operation from year 2021 for a period of 20-year operating right licensing from its original tenure of 10-year under the original intangible asset licensing arrangement instead.

Property Management in Beijing, PRC

The Group acquired 70% equity interest of China Goal, Inc. in the year 2019 which has licensed out its intellectual property rights on property management through a Hong Kong incorporated company to PRC entities. In view of the future recovery of the economic activities after the COVID-19 time, the market is expected to put more emphasis on the demand of well-managed property hygiene. The Group has a prosperous view on the development of the property management market and would expect to explore different opportunities to widen its participation in the property management market in forthcoming years.

Investment properties in Luoyang

With regard to Luoyang Properties, on 5 December 2017, the Group submitted a construction plan to 洛陽市城鄉規劃局 (“洛陽規劃局”). After 洛陽規劃局’s review, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties was minimal adjusted. Due to the outbreak of COVID-19, the Group is still waiting for 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the change of Luoyang Properties in order for the Group to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group’s commercial property development projects in Great Bay Area that was scheduled in year 2020. The impact of COVID-19 has actually delayed the development of the whole property market. The Group believes that the property market will revive in year 2021 with the significant input in boosting up the recovery of economy after the COVID-19 time. The Group foresees there will be lots of opportunities in capturing the strong growing prospect of economic recovery in the next years ahead as one of the National policies of encouraging economic growth by the Government. The Group has determined that most of the development units of the Zhuhai project would be regarded as inventory for future realization with the view of reserving more cash on hand so as to capture different business opportunities in the forthcoming years instead of treating the development project as an investment property.

The Group would continue its effort in implementing its theme of “New Day, New Life, New City” in the year 2021 in line with the economic recovery at the post-COVID-19 time, particularly in the Great Bay Area.

THE USE OF PROCEEDS

The net proceeds from the subscription of new shares, which were based on the respective subscription prices of HK\$0.073, were approximately HK\$51.5 million (the “Net Proceeds”).

As disclosed in the announcements of the Company dated 15 April 2020, the Company intended to use such net proceeds as general working capital for the Company to develop its existing and future business and for financing possible acquisition and investment opportunities of the Company.

The details of the intended use of the Net Proceeds, the actual use of the Net Proceeds up to 30 June 2021 and the remaining balance of the Net Proceeds as at 30 June 2021 are set out as follows:

HK\$ million

Intended use of the Net Proceeds	51.50
Actual use of the Net Proceeds up to 30 June 2021	
General working capital to develop the Group's existing and future business	29.20
Possible acquisition and investment	15.25
	<hr/>
	44.45
	<hr/>
Balance as at 30 June 2021	<u>7.05</u>

The Group will use the remaining net proceeds from the subscription of new shares in accordance with the purposes stated in the announcement of the Company dated 15 April 2020.

FINANCIAL REVIEW

During the period under review, the Group's revenue and net loss for the Period amounted to approximately HK\$90,464,000 and HK\$7,534,000 respectively, whereas the Group's revenue and net loss for the first half of 2020 was approximately HK\$18,771,000 and HK\$15,787,000, respectively. Basic loss per share for six months ended 30 June 2021 was HK\$0.17 cents (basic loss per share for six months ended 30 June 2020 was HK\$0.28 cents).

DIVIDENDS

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2021, the Group's total assets were approximately HK\$2,190,017,000 (31 December 2020: HK\$1,932,582,000) and total liabilities were approximately HK\$1,403,899,000 (31 December 2020: HK\$1,140,545,000). As at 30 June 2021, the cash and bank balances were approximately HK\$42,852,000 (31 December 2020: HK\$43,458,000) and the current ratio (current assets/current liabilities) was 6.19 as at 30 June 2021 (31 December 2020: 4.73).

GEARING RATIO

The gearing ratio (debt/equity) was 0.60 as at 30 June 2021 (31 December 2020: 0.53).

EXCHANGE RISKS

The majority of the Group's operations are located in the PRC and Hong Kong and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assessing exchange risks.

CAPITAL STRUCTURE

There is no change in the capital structure of the Company.

PLEDGE OF ASSETS

As at 30 June 2021, certain investment properties of the Group were pledged to secure for bank borrowings.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except for the note 23, the Company did not have any significant investments or material acquisitions and disposals for the six months ended 30 June 2021.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2021.

CONTINGENT LIABILITIES

Details of the contingent liabilities was set out in note 19 to this announcement.

COMMITMENT

Except for the note 18, the Group did not have any commitment as at 30 June 2021.

OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has complied with all the code provisions (“Code Provisions”) as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), save for the deviations listed below:

- The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. As the current nature of the Group’s business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make corresponding arrangements to observe the provisions of the Listing Rules whenever necessary.
- According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company’s Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. In respect of Code Provision A.6.7 of the CG Code, one Executive Director and four Independent Non-executive Directors did not attend the annual general meeting of the Company held on 26 June 2018. The Company will review its Articles of Association from time to time and will make any amendments to ensure observance of the provisions of the Listing Rules whenever necessary.
- According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At present, the Chairman’s continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman’s role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole.

EMPLOYEES

As at 30 June 2021, the Group has employed about 74 employees in Hong Kong and the PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, 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 any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were 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 the Directors and the Chief Executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the underlying shares of the Company

Name of Director	Capacity	Number of underlying shares held	Approximate % of shareholding
Mr. Han Junran	Interest of controlled corporation	1,886,662,752 ⁽¹⁾	43.60
	Beneficial owner	391,000,000	9.04

Note:

- (1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 1,886,662,752 Shares, representing 43.60% of the issued share capital. For the purposes of the SFO, Mr. Han Junran was deemed to be interested in the 1,886,662,752 Shares held by Junyi Investments Limited.

Save as disclosed above, as at 30 June 2021, none of the Directors or Chief Executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executive of the Company, as at 30 June 2021, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name	Capacity	Number of underlying shares held	Approximate % of shareholding
Mr. Han Junran	Interest of controlled corporation	1,886,662,752 ⁽¹⁾	43.60
	Beneficial owner	391,000,000	9.04
Junyi Investments Limited	Beneficial owner	1,886,662,752 ⁽¹⁾	43.60
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP)	Person having a security interest	2,277,662,752 ⁽²⁾	52.64
Zhongtai International Asset Management Limited	Investment manager	2,277,662,752 ⁽²⁾	52.64
Zhang Xiaomu	Beneficial owner	712,328,767	16.46

Notes:

- (1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an Executive Director of the Company.
- (2) The security interest of the 2,277,662,752 Shares is held by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP), an investment fund managed by Zhongtai International Asset Management Limited.

Save as disclosed above, as at 30 June 2021, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed that they had complied with the Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee comprises three members who are independent non-executive directors namely Mr. Chan Yiu Tung, Anthony, Mr. Zhang Jing and Mr. Leung Kwai Wah Alex. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and the Condensed Consolidated Financial Statements for the six months ended 30 June 2021.

By Order of the Board
Han Junran
Chairman

Hong Kong, 30 August 2021