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China Cultural Tourism and Agriculture Group Limited

中國文旅農業集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2024 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of China Cultural Tourism and Agriculture Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
REVENUE	5	13,489	32,058
Cost of sales		<u>(7,702)</u>	<u>(21,019)</u>
Gross profit		5,787	11,039
Other income and gains	6	1,060	1,048
Selling expenses		(1,411)	(246)
Administrative and other expenses		(46,455)	(62,794)
Finance costs	7	<u>(52,715)</u>	<u>(70,526)</u>
LOSS BEFORE TAX	8	(93,734)	(121,479)
Income tax credit/(expense)	9	<u>224</u>	<u>(840)</u>
LOSS FOR THE PERIOD		<u>(93,510)</u>	<u>(122,319)</u>
Loss for the period attributable to:			
Owners of the Company		(88,185)	(113,403)
Non-controlling interests		<u>(5,325)</u>	<u>(8,916)</u>
		<u>(93,510)</u>	<u>(122,319)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF PARENT	<i>10</i>		
— Basic		<u>(1.15)</u>	<u>(1.63)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(93,510)</u>	<u>(122,319)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>8,488</u>	<u>(7,424)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>8,488</u>	<u>(7,424)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(85,022)</u></u>	<u><u>(129,743)</u></u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	<u>(79,732)</u>	(116,679)
Non-controlling interests	<u>(5,290)</u>	<u>(13,064)</u>
	<u><u>(85,022)</u></u>	<u><u>(129,743)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	142,574	153,237
Right-of-use assets		41,670	42,769
Properties under development	<i>12</i>	1,591,409	1,623,860
Licensing rights		377	480
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		1,776,030	1,820,346
CURRENT ASSETS			
Properties held for sale	<i>13</i>	1,026,706	1,026,602
Inventory		2,758	3,433
Trade receivables	<i>14</i>	1,602	1,021
Prepayments, deposits and other receivables		411,539	391,323
Amount due from a director		161	165
Amount due from a non-controlling shareholder		354	363
Restricted bank balances		124,724	131,912
Cash and cash equivalents		10,410	13,370
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		1,578,254	1,568,189
		<hr/>	<hr/>
TOTAL ASSETS		3,354,284	3,388,535

		As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables, other payables and accruals	15	556,144	519,459
Contract liabilities	16	200,030	178,623
Amount due to a non-controlling shareholder	17	2,154	2,206
Loans and borrowings		308,695	320,905
Tax payable		281,788	281,788
		<u>1,348,811</u>	<u>1,302,981</u>
TOTAL CURRENT LIABILITIES			
		<u>1,348,811</u>	<u>1,302,981</u>
NET CURRENT ASSETS			
		<u>229,443</u>	<u>265,208</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2,005,473</u>	<u>2,085,554</u>
NON-CURRENT LIABILITIES			
Loans and borrowings		1,121,358	1,160,820
Other payables		508,899	468,013
Amount due to a director	18	150,564	148,580
Promissory note payable	19	134,947	133,182
Deferred tax liabilities		86,813	87,045
		<u>2,002,581</u>	<u>1,997,640</u>
TOTAL NON-CURRENT LIABILITIES			
		<u>2,002,581</u>	<u>1,997,640</u>
NET ASSETS			
		<u>2,892</u>	<u>87,914</u>
Share capital	20	76,872	76,872
Reserves		(100,527)	(20,796)
		<u>(23,655)</u>	<u>56,076</u>
Equity attributable to owners of the Company		(23,655)	56,076
Non-controlling interests		26,547	31,838
		<u>26,547</u>	<u>31,838</u>
TOTAL EQUITY			
		<u>2,892</u>	<u>87,914</u>

NOTES

1. CORPORATE INFORMATION

China Cultural Tourism and Agriculture Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are located at 2nd Floor, 94 Solaris Avenue, Camana Bay, P.O. Box 30745, Grand Cayman KY1-1203, Cayman Islands and Unit 402, Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the period, the Group’s activities mainly comprised properties development and hotel business in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2023, except for the adoption of the revised HKFRSs as disclosed in Note 3 below.

These condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared under the historical cost convention. These condensed consolidated financial statements are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

3. CHANGE IN ACCOUNTING POLICIES

New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this consolidated interim financial statements for the current accounting period:

Amendments to HKAS1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS7 and HKFRS7	Supplier Finance Arrangements
Amendments to HKAS 1	Classification of Liabilities as current or Non-current and related amendments to Hong Kong Interpretations 5 (2020)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are three reportable operating segments identified as follows:

- (a) Property Development Business: Property development and provision of ancillary services including agency and clubhouse operating service;
- (b) Hotel Business: Sub-licensing rights to hotel operators and related hotel management activities; and
- (c) Other Business: Retail sales.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

	For the six months ended 30 June							
	Property Development		Hotel Business		Others		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue								
Revenue from contracts with customers								
— recognised at a point in time	10,507	21,896	–	–	1,250	5,627	11,757	27,523
— recognised over time	1,423	4,213	309	322	–	–	1,732	4,535
Total segment revenue	<u>11,930</u>	<u>26,109</u>	<u>309</u>	<u>322</u>	<u>1,250</u>	<u>5,627</u>	<u>13,489</u>	<u>32,058</u>
Segment loss	<u>(24,564)</u>	<u>(30,182)</u>	<u>(11,560)</u>	<u>(13,898)</u>	<u>(2,845)</u>	<u>(3,244)</u>	<u>(38,969)</u>	<u>(47,324)</u>
Reconciliation:								
Bank interest income							131	300
Other income							354	371
Other unallocated expenses							(2,535)	(4,300)
Finance costs							<u>(52,715)</u>	<u>(70,526)</u>
Loss before tax							<u>(93,734)</u>	<u>(121,479)</u>

Note: There were no inter-segment sales for both of the six months ended 30 June 2024 and 30 June 2023.

Geographical information

The Group operates in one main geographical area — the PRC.

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
REVENUE		
— PRC	13,489	32,058

Revenue from customers contributing over 10% of the total revenue of the Group

Revenue from individual customers contributed over 10% of the total revenue of the Group is as follow:

	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A (Note)	2,245	N/A
Customer B (Note)	1,428	N/A

Note: Customer A and Customer B contributed 27% of the total revenue of the Group during the six months ended 30 June 2024.

5. REVENUE

Revenue represents the aggregate of income from sales of properties held for sale, sales of goods, sub-licensing of operating rights and property agency income and is analysed as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of properties held for sale	10,507	21,896
Sales of goods	1,250	5,627
Licensing income	309	322
Property agency income	1,423	4,213
	13,489	32,058

Disaggregated by timing of revenue recognition

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue recognised:		
— Point in time	11,757	27,523
— Over time	1,732	4,535
	<u>13,489</u>	<u>32,058</u>

6. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	131	301
Rental income	354	371
Others	575	376
	<u>1,060</u>	<u>1,048</u>

7. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on		
Loans and borrowings	44,083	69,131
Amounts due to directors	9,013	508
Promissory note	1,915	5,103
Lease liabilities	—	20
	<u>55,011</u>	<u>74,762</u>
Less: Amount capitalised on properties under development	<u>(2,296)</u>	<u>(4,236)</u>
	<u>52,715</u>	<u>70,526</u>

The borrowing costs have been capitalised at the rates ranged from 6.5% to 8.5% (six months ended 30 June 2023: from 8.8% to 13%) per annum.

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of sales		
Cost of properties sold	6,674	15,483
Cost of inventories sold	929	5,074
Amortisation of licensing rights	99	462
	<u>7,702</u>	<u>21,019</u>
Depreciation of property, plant and equipment	9,276	9,387
Depreciation of right-of-use assets	943	1,200
Rental expenses for short-term leases	573	316
Auditors' remuneration	62	125
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	8,199	10,201
— Retirement benefits scheme contributions	655	661
	<u>8,854</u>	<u>10,862</u>
Exchange loss, net	<u>21,425</u>	<u>26,775</u>

9. INCOME TAX CREDIT/(EXPENSE)

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax expense		
PRC enterprise income tax		
— Provision for the year	(8)	(1,040)
Deferred tax credit	<u>232</u>	<u>200</u>
Income tax credit/(expense)	<u>224</u>	<u>(840)</u>

No provision for Hong Kong profits tax has been made in the consolidated interim financial statements as the Group has no assessable profit arising in Hong Kong for both of the periods presented.

PRC enterprise income tax is calculated at 25% (six months ended 30 June 2023: 25%) of the profits of the group entities in the PRC.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company amounted to HK\$88,185,000 (six months ended 30 June 2023: loss of HK\$113,403,000), and 7,687,158,040 (six months ended 30 June 2023: 6,946,350,040) ordinary shares in issue during the period.

No diluted loss per share for both of the periods ended 30 June 2024 and 2023 was presented as there were no potential ordinary shares in issue for both of the periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, additions and disposal of items of property, plant and equipment amounted to HK\$77,000 and Nil respectively (six months ended 30 June 2023: HK\$13,000 and HK\$31,000 respectively).

12. PROPERTIES UNDER DEVELOPMENT

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Properties under development, at cost	<u>1,591,409</u>	<u>1,623,860</u>

The properties are located in Hengqin and Doumen district, Zhuhai City, the PRC.

13. PROPERTIES HELD FOR SALE

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Properties held for sale		
— Under development	<u>1,026,706</u>	<u>1,062,602</u>

14. TRADE RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables, gross	84,135	85,765
Impairment loss recognised	<u>(82,533)</u>	<u>(84,744)</u>
	<u>1,602</u>	<u>1,021</u>

Credit period normally granted to customers of the Group is 30 days.

An aged analysis of the trade receivables after impairment loss recognised, based on invoice date, is as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	592	317
1–3 months	108	55
4–12 months	<u>902</u>	<u>649</u>
	<u>1,602</u>	<u>1,021</u>

Movements in impairment loss recognised on trade receivables are as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
At the beginning of the period/year	<u>84,744</u>	<u>87,467</u>
Impairment loss recognised, net	–	–
Exchange realignment	<u>(2,211)</u>	<u>(2,723)</u>
At the end of the period/year	<u>82,533</u>	<u>84,744</u>

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade payables for property development expenditure (<i>Note a</i>)	285,041	277,835
Value-added tax payable	112,918	117,037
Interest payable	10,309	4,423
Other payables and accruals	147,876	120,164
	556,144	519,459

Note:

- (a) The following is an aged analysis of trade payables for property development expenditure presented based on the invoice date:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	125,982	81,093
1–3 months	159,059	196,742
	285,041	277,835

16. CONTRACT LIABILITIES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Advance payments received for sales of properties	200,030	178,623

The Group received payments from customers based on billing schedules as stipulated in the property sale contracts. Payments are usually received in advance of the performance under the sale contracts.

17. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling interest is unsecured, interest free and repayable on demand.

18. AMOUNT DUE TO A DIRECTOR

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Amount due to a director repayable:		
— Within a period of more than one year but not exceeding two years	<u>150,564</u>	<u>148,580</u>
Analysed for reporting purpose:		
— Non-current liabilities	<u>150,564</u>	<u>148,580</u>

The amount due to a director, Mr. Yang Lijun is unsecured, carries interest at the rates ranged from 12% to 13% per annum (31 December 2023: from 12% to 13% per annum).

19. PROMISSORY NOTE PAYABLE

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Promissory note payable:		
— Within a period of more than one year but not exceeding eight years	<u>134,947</u>	<u>133,182</u>

20. SHARE CAPITAL

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Authorised:		
100,000,000,000 (31 December 2023: 100,000,000,000) ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
7,687,158,040 (31 December 2023: 7,687,158,040) ordinary shares of HK\$0.01 each	<u>76,872</u>	<u>76,872</u>

21. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2024, nor had any dividend been proposed since the end of the reporting period (31 December 2023: Nil).

22. PROJECT COMMITMENTS

As at 30 June 2024, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK\$239,120,000 (31 December 2023: HK\$221,041,000).

23. CAPITAL COMMITMENTS

The Group did not have any significant capital commitment as at 30 June 2024 and 31 December 2023.

24. CONTINGENT LIABILITIES

As at 30 June 2024, the Group had contingent liabilities amounting to approximately HK\$284,975,000 (31 December 2023: HK\$301,082,000) in respect of the buy-back guarantee in favour of banks to secure mortgage loan facilities granted to the purchasers of the Group's properties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2024, the Group's revenue was approximately of HK\$13.5 million, compared to HK\$32.0 million for the corresponding period 2023. The significant decrease in the Group's revenue was mainly due to most of the properties are in the construction stage so that revenue recognition will be scheduled to the second half of 2024. The Group recorded a loss before tax of approximately HK\$93.7 million, compared to the loss of HK\$121.5 million for the corresponding period 2023. The loss, amongst other things, was mainly attributable to financial costs and exchange differences arising from the depreciation of Renminbi in the first half of 2024.

Loss attributable to the owners of the Company for the six months ended 30 June 2024 was approximately of HK\$88.2 million, compared to a loss of HK\$113.4 million for the corresponding period in 2023.

PROPERTY DEVELOPMENT SEGMENT

Revenue of the property development segment for the six months ended 30 June 2024 was approximately of HK\$11.9 million, compared to HK\$26.1 million for the corresponding period 2023. Loss of the property development segment for the six months ended 30 June 2024 and 2023 was HK\$24.6 million and HK\$30.2 million, respectively. The loss was due to most of the properties are in the construction stage. Revenue cannot be recognised until the completed properties are to be delivered to property buyers.

During the six months ended 30 June 2024, the Group had three projects under development, namely German City project located in Hengqin, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

German City project holds a land parcel of gross floor area of approximately 145,176 sq.m., of which approximately 49,999 sq.m. is available for sale. The land parcel is located in Hengqin New District, Zhuhai City, the PRC and is designated to be developed into a research and commercial complex. The pre-sale activities of German City project had started in the fourth quarter of 2019. Up to 30 June 2024, German City project had achieved sales contracts amounted to 55.4% of its gross saleable areas available for sale. Construction work of the project is expected to be completed by the end of 2024.

Fuyuan Junting project holds two land parcels of total gross floor area of approximately 120,500 sq.m., of which 84,425 sq.m. is available for sale. The land parcel is located in Ande Zhen, Pidu District, Chengdu City, the PRC and is designated to be developed into a residential and commercial complex. The pre-sale activities of Fuyuan Junting project had started in the 4th quarter of 2019. Up to 30 June 2024, first phase and second phase of Fuyuan Junting project had achieved sales contracts approximately 100% and 77.8% of its respective total gross saleable areas available for sale. Construction work of the second phase will be completed in 2024.

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq.m., of which 61,654 sq.m. is available for sale. The land parcel is located in Doumen District, Zhuhai City, the PRC and is designated to be developed into a commercial complex comprising office towers, a 5-star standard hotel and a shopping center with basement car parks. The pre-sale activities of Fuyuan Square project had started in July 2020. Up to 30 June 2024, Fuyuan Square project had achieved sales contracts approximately 60.1% of its total gross saleable areas available for sale. Construction work of the project will be completed in 2024.

The Group is striving to accelerate the progress of pre-sale of properties.

HOTEL BUSINESS

For the six months ended 30 June 2024, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$0.3 million, compared to HK\$0.3 million for the corresponding period 2023. Loss of the segment amounted to HK\$11.6 million and HK\$13.9 million for the six months ended 30 June 2024 and 2023, respectively. The loss is mainly attributable to the depreciation of property, plant and equipment, amortisation of licensing rights, and finance costs incurred during the period.

Geographical Segment

During the period, the Group did not have revenue generated from Hong Kong, and the revenue so generated elsewhere in the PRC mainly related to hotel business, property development, and sales of food and beverage.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 30 June 2024 mainly comprised properties under development, property, plant and equipment, right-of-use assets, and licensing rights amounting to HK\$1,776.0 million, compared to HK\$1,820.3 million as at 31 December 2023. Current assets as at 30 June 2024 amounted to HK\$1,578.3 million, compared to HK\$1,568.2 million as at 31 December 2023. Current liabilities as at 30 June 2024 amounted to HK\$1,348.8 million, compared to HK\$1,303.0 million as at 31 December 2023. Non-current liabilities as at 30 June 2024 amounted to HK\$2,002.6 million, compared to HK\$1,997.6 million as at 31 December 2023.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2024, the Group's total interest bearing borrowings amounted to HK\$1,715.6 million (31 December 2023: HK\$1,763.5 million) which comprised borrowings from financial institutions approximately of HK\$553.6 million (31 December 2023: HK\$573.0 million), borrowings from independent third parties of HK\$812.2 million (31 December 2023: HK\$844.50 million), promissory note payable of HK\$134.9 million (31 December 2023: HK\$133.2 million), other loans of HK\$64.3 million (31 December 2023: HK\$64.2 million), and amount due to a director of HK\$150.6 million (31 December 2023: HK\$148.6 million).

The Group's total equity as at 30 June 2024 amounted to HK\$2.9 million (31 December 2023: HK\$87.9 million).

The Group's gearing ratio as at 30 June 2024 is 59,321.0% (31 December 2023: 2,005.9%). The gearing ratio was calculated on the basis of total interest-bearing borrowings over the total equity of the Group. The significant increase in the gearing ratio is mainly due to a substantial amount of interest-bearing borrowings raised to finance the operations of a property development project of the Group and the decrease in total equity of the Group during the period.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its hotel business, the sales of the property units in Zhongshan, and other property development projects in the PRC.

Capital Commitments

The Group did not have any significant capital commitment as at 30 June 2024 and 31 December 2023.

Project Commitments

As at 30 June 2024, the Group had outstanding commitments in respect of the property development expenditure and acquisition of land for development, which were contracted but not provided for, amounted to approximately HK\$239.1 million (31 December 2023: HK\$221.0 million).

Contingent Liabilities

As at 30 June 2024, the Group had contingent liabilities amounting to approximately HK\$285.0 million (31 December 2023: HK\$301.1 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the property buyers of the Group. The Board considered that in case of default in payments, the related properties will be sold at prices which exceed the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

Charges on Group Assets

As at 30 June 2024, part of the Group's leasehold land and buildings with a carrying amount of approximately HK\$183.9 million (31 December 2023: HK\$195.6 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of approximately HK\$124.7 million (31 December 2023: HK\$131.9 million) were pledged to certain banks for facilities granted to the Group.

Going Concern and Mitigation Measures

The Company's auditor expressed a disclaimer of opinion on the Company's audited consolidated financial statements for the year ended 31 December 2023 in respect of uncertainties relating to going concern (the "**Disclaimer**").

The Disclaimer, amongst other things, was due to the net loss of the Group for the year ended 31 December 2023 of approximately HK\$204.4 million, financial obligations of the Group as at 31 December 2023 of approximately HK\$1,303.0 million, which are due for repayment within the next twelve months. Among these obligations, approximately HK\$256.2 million of bank borrowings are repayable on demand while the Group's available cash and cash equivalents as at 31 December 2023 amount to approximately HK\$13.4 million. These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors and the management had carried out certain action plans and measures to improve the Group's liquidity and financial performance during the first six months ended 30 June 2024, which included:

1. Active negotiations among the Group and certain financial institutions and/or independent third-party lenders to extend and/or revise the repayment schedules of certain loans and borrowings of the Group have been executed during the first half of 2024.
2. The Group's plans to hand over completed properties to property buyers in the second half of 2024 have been formulated and implemented.

The management is striving to carry out all possible action plans and measures to improve the financial position and performance of the Group.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2024 was 90, compared to 176 as at 31 December 2023. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

OUTLOOK

Outlook and Planning

In the first half of 2024, international geo-political instability and high interest rates created a complex and unstable global operating environment. China's overall economy in the first half of 2024 was adversely affected by weak domestic demand, weak labor market, stagnancy in the real estate market, and low consumer sentiment, which directly caused greater pressure on the Group's property sales.

Looking forward to the second half of 2024, China's operating environment remains unstable and challenging. The Group welcomes that the Chinese central government has adopted certain economic policies and measures to stimulate the economy, and wishes that the relevant policies and measures will lead to a more prosperous market which facilitates the Group's property sales.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Compliance with Code On Corporate Governance Practices

The Company is committed to maintain high corporate governance standards and uphold accountability and transparency.

During the six months ended 30 June 2024, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the below deviation:

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang Lijun (“**Mr. Yang**”) is the chairman of the Board and the chief executive officer of the Company. As Mr. Yang has extensive experience in the businesses of property development and investment, the Board believes that by holding both roles of the chairman and the chief executive officer, Mr. Yang will be able to provide strong leadership for the Board and effective and efficient business decisions for the Group. The Board believes that the present structure of the Board would provide adequate checks and balances, and a variety of opinions relating to the affairs and the businesses of the Group.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant provisions of the Corporate Governance Code during the period and up to the date of this announcement.

Further information on the Company’s corporate governance practices during the period under review will be set out in the Corporate Governance Report contained in the Company’s 2024 Interim Report.

CHANGE IN DIRECTOR’S INFORMATION

The change in Director’s information, required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, is set out below:

- Mr. Wong Yuk Lun, Alan has resigned as an independent non-executive Director, the chairman of each of the audit committee, the remuneration committee, the nomination committee, and the investment and treasury committee of Huisheng International Holdings Limited (stock code 1340) with effect from 6 February 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Board has established the audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive directors.

The Audit Committee, the Company’s auditor and the management of the Company have reviewed the Group’s unaudited condensed consolidated financial information for the six months ended 30 June 2024.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2024 containing the relevant information required by the Listing Rules will subsequently be published on the Company’s and the Stock Exchange’s websites in due course.

The financial information contained herein in respect of the interim results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Cultural Tourism and Agriculture Group Limited
YANG Lijun
Chairman

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman), Mr. GAO Jingyao, and Mr. TAM Ka Wai being the executive Directors, Mr. WONG Yuk Lun, Alan being the non-executive Director; and Ms. CHAN Hoi Ling, Ms. CHAN Chu Hoi, and Ms. TSUI Wai Ting, Rosalie being the independent non-executive Directors.