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ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(formerly known as eForce Holdings Limited 意科控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Zhongzheng International Company Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue		149,768	186,314
Interest revenue		4,924	12,463
Total revenue	3	154,692	198,777
Cost of sales		(109,920)	(123,347)
Gross profit		44,772	75,430
Other income and other gains and losses	4	6,286	1,498
Selling and distribution expenses		(6,699)	(2,766)
Administrative expenses		(103,534)	(76,623)
Loss from operations		(59,175)	(2,461)
Impairment loss on exploration and evaluation assets		(34,030)	(86,690)
Net loss on fair value changes on investments at fair value through profit or loss		–	(13,575)
Impairment of loan and interest receivables		(166)	–
Gain on bargain purchase	16	42,765	102,508
Share of results of associates		1,243	(27,125)
Finance costs	6	(18,638)	(28,812)

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Loss before tax		(68,001)	(56,155)
Income tax credit/(expense)	7	<u>809</u>	<u>(1,182)</u>
Loss for the year from continuing operations		<u>(67,192)</u>	<u>(57,337)</u>
Discontinued operations			
Loss for the year from discontinued operations		<u>–</u>	<u>(14,581)</u>
Loss for the year	8	<u>(67,192)</u>	<u>(71,918)</u>
Loss for the year attributable to:			
Owners of the Company			
From continuing operations		(53,788)	(56,327)
From discontinued operations		<u>–</u>	<u>(14,158)</u>
		<u>(53,788)</u>	<u>(70,485)</u>
Non-controlling interests			
From continuing operations		(13,404)	(1,010)
From discontinued operations		<u>–</u>	<u>(423)</u>
		<u>(13,404)</u>	<u>(1,433)</u>
		<u>(67,192)</u>	<u>(71,918)</u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Loss for the year		(67,192)	(71,918)
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Release of exchange differences on disposal of subsidiaries		–	6,908
Exchange differences on translating foreign operations		21,412	9,710
Share of associates exchange differences on translating foreign operations		29,092	(30,225)
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on property revaluation		3,084	2,692
Other comprehensive income/(loss) for the year, net of tax		53,588	(10,915)
Total comprehensive loss for the year		(13,604)	(82,833)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(3,738)	(81,196)
Non-controlling interests		(9,866)	(1,637)
		(13,604)	(82,833)
Loss per share	9		
From continuing and discontinued operations			
Basic (cents per share)		(0.50)	(0.66)
Diluted (cents per share)		N/A	N/A
From continuing operations			
Basic (cents per share)		(0.50)	(0.53)
Diluted (cents per share)		N/A	N/A
From discontinued operations			
Basic (cents per share)		N/A	(0.13)
Diluted (cents per share)		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Exploration and evaluation assets		107,970	142,000
Property, plant and equipment		68,854	62,959
Right of use assets		26,616	6,691
Interests in associates	10	1,200,663	1,170,328
		1,404,103	1,381,978
Current assets			
Inventories		19,073	30,315
Properties under development for sale		1,559,362	–
Trade and other receivables	13	257,411	150,145
Investments at fair value through profit or loss	11	–	870
Loans and interests receivables	12	89,674	44,317
Amount due from associates		161,941	49,750
Current tax assets		938	936
Bank and cash balances		177,095	166,852
		2,265,494	443,185
Current liabilities			
Trade and other payables	14	(514,010)	(92,383)
Promissory note		(237,663)	–
Lease liabilities		(10,763)	(6,226)
Borrowings		(691,097)	(619)
Shareholders loans		(343,376)	(230,000)
Current tax liabilities		(6,017)	(5,798)
		(1,802,926)	(335,026)
Net current assets		462,568	108,159
Total assets less current liabilities		1,866,671	1,490,137
Non-current liabilities			
Lease liabilities		(16,452)	(738)
Borrowings		(309,157)	(12,177)
Shareholders loans		(38,503)	(77,525)
Deferred tax liabilities		(77,666)	(11,519)
		(441,778)	(101,959)
NET ASSETS		1,424,893	1,388,178
Capital and reserves			
Share capital		429	429
Reserves		1,383,564	1,387,302
Equity attributable to owners of the Company		1,383,993	1,387,731
Non-controlling interests		40,900	447
TOTAL EQUITY		1,424,893	1,388,178

Notes:

1. GENERAL INFORMATION

Zhongzheng International Company Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 are property development, primary land development, money lending business, coal mining business and manufacturing and trading of healthcare and household products.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognized during the year represents manufacture and sales of healthcare and household products and interest income from money lending business. An analysis of the Group's revenue for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Manufacture and sales of healthcare and household products	149,768	186,314
Production and trading of agricultural and fertilizers products	–	7,004
Revenue from contracts with customers (<i>Note</i>)	149,768	193,318
Interest income from money lending business	4,924	12,463
	154,692	205,781
Representing		
Continuing operations	154,692	198,777
Discontinued operations	–	7,004
	154,692	205,781

Note:

Disaggregation of revenue from contracts with customers:

2020

Segments	Healthcare and household products <i>HK\$'000</i>	Agriculture and fertilizers products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets			
United States of America (the "USA")	108,559	–	108,559
The People's Republic of China (the "PRC")	10,933	–	10,933
Germany	14,711	–	14,711
France	914	–	914
United Kingdom	1,755	–	1,755
Japan	1,535	–	1,535
Hong Kong and others	11,361	–	11,361
	149,768	–	149,768

2019

Segments	Healthcare and household products <i>HK\$'000</i>	Agriculture and fertilizers products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets			
The USA	103,871	–	103,871
The PRC	37,268	7,004	44,272
Germany	19,881	–	19,881
France	2,961	–	2,961
United Kingdom	7,983	–	7,983
Japan	1,762	–	1,762
Hong Kong and others	12,588	–	12,588
	<u>186,314</u>	<u>7,004</u>	<u>193,318</u>

Revenue from the sales of manufactured goods, trading of raw materials and moulds and trading of agricultural and fertilizer products are recognized on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, cash on delivery may be required.

A receivable is recognized when the products are delivered to the customers as this is at the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income from scrap sales	595	629
Interest income	1,614	332
Government grants	1,316	—
(Loss)/gain on disposals of property, plant and equipment	(972)	37
Others	3,733	808
	<u>6,286</u>	<u>1,806</u>
Representing		
Continuing operations	6,286	1,498
Discontinued operations	—	308
	<u>6,286</u>	<u>1,806</u>

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has five (2019: four) reportable segments: property development (newly acquired during the year), primary land development, money lending business, coal mining business and manufacturing and sales of healthcare and household products.

Segment profits or losses do not include net gain/loss on fair value of investments at fair value through profit or loss, impairment of loan receivables, gain on bargain purchase, impairment loss on exploration and evaluation assets and unallocated corporate income and expenses. Segment assets do not include investments at fair value through profit or loss and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

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

	Property development HK\$'000	Primary land development HK\$'000	Money lending business HK\$'000	Coal mining business HK\$'000	Healthcare and household business HK\$'000	Total HK\$'000
Year ended 31 December 2020:						
Revenue	-	-	4,924	-	149,768	154,692
Segment (loss)/profit	(32,528)	(3,710)	4,557	(2,159)	1,929	(31,911)
Finance costs	694	884	-	-	856	2,434
Depreciation	141	1,067	-	-	3,843	5,051
Impairment of assets	-	-	-	(34,030)	-	(34,030)
Income tax expense	-	-	-	-	96	96
Additions to segment non-current assets	18,764	-	-	-	1,969	20,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020						
Segment assets	1,768,683	830,600	57,803	107,068	137,257	2,901,411
Segment liabilities	1,416,359	307,137	81	-	97,474	1,821,051
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2019:						
Revenue	-	-	12,463	-	186,314	198,777
Segment (loss)/profit	-	(29,854)	12,470	(2,154)	20,938	1,400
Finance costs	-	39	-	-	584	623
Depreciation	-	1,208	-	6	5,277	6,491
Impairment of assets	-	-	-	(86,690)	-	(86,690)
Income tax (credit)/expense	-	(156)	-	-	1,182	1,026
Additions to segment non-current assets	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019						
Segment assets	-	607,048	44,245	141,144	154,694	947,131
Segment liabilities	-	10,105	-	-	86,579	96,684
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The operation of trading of agricultural and fertilizers product in Liaoning and Nanjing was discontinued in the year 2019. The segment information reported does not include any amounts for the discontinued operations.

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue:		
Total revenue of reportable segments	154,692	198,777
Revenue for the year from discontinued operations	–	7,004
	<u>154,692</u>	<u>205,781</u>
Consolidated revenue for the year	<u><u>154,692</u></u>	<u><u>205,781</u></u>
Profit or loss:		
Total (loss)/profit of reportable segments	(31,911)	1,400
Loss for the year from discontinued operations	–	(14,581)
Net loss on fair value changes on investments at fair value		
through profit or loss	–	(13,575)
Gain on bargain purchase	42,765	102,508
Share of results of associates	(1,155)	(1,181)
Impairment on exploration and evaluation assets	(34,030)	(86,690)
Finance costs	(16,204)	(28,189)
Corporate and unallocated loss	(26,657)	(31,610)
	<u>(67,192)</u>	<u>(71,918)</u>
Consolidated loss for the year	<u><u>(67,192)</u></u>	<u><u>(71,918)</u></u>
Assets:		
Total assets of reportable segments	2,901,411	947,131
Corporate and unallocated assets:		
– Bank and cash balances	229	142,880
– Investments at fair value through profit or loss	–	870
– Interest in an associate	627,176	613,550
– Others	140,781	120,732
	<u>140,781</u>	<u>120,732</u>
Consolidated total assets	<u><u>3,669,597</u></u>	<u><u>1,825,163</u></u>
Liabilities:		
Total liabilities of reportable segments	1,821,051	96,684
Corporate and unallocated liabilities:		
– Shareholders loans	381,879	312,064
– Others	41,774	28,237
	<u>41,774</u>	<u>28,237</u>
Consolidated total liabilities	<u><u>2,244,704</u></u>	<u><u>436,985</u></u>

Geographical information:

Segment	2020 Total revenue of reportable segments HK\$'000	2019 Revenue for the year from discontinued operations HK\$'000	2019 Total revenue of reportable segments HK\$'000
Revenue:			
The USA	108,559	–	103,871
The PRC	10,933	7,004	37,268
Germany	14,711	–	19,881
France	914	–	2,961
United Kingdom	1,755	–	7,983
Japan	1,535	–	1,762
Hong Kong and others	16,285	–	25,051
	154,692	7,004	198,777

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for property development, primary land development and coal mining business for both years.

	2020 HK\$'000	2019 HK\$'000
Non-current assets:		
Indonesia	108,817	142,851
The PRC	656,346	618,923
Hong Kong and others	638,940	620,204
	1,404,103	1,381,978

Revenue from major customers:

	2020 HK\$'000	2019 HK\$'000
Healthcare and household business segment		
Customer A	87,766	67,230
Customer B	26,255	47,438

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on other loans	29,944	–
Interests on bank loans	1,552	614
Interests on shareholders loans	13,031	4,902
Loss on early settlement of shareholders loans	2,818	20,874
Interests on other unsecured loans	–	2,015
Leases interests	1,237	996
	<u>48,582</u>	<u>29,401</u>
Less: interest capitalized in properties under development for sale	<u>(29,944)</u>	<u>–</u>
	<u><u>18,638</u></u>	<u><u>29,401</u></u>
Representing		
Continuing operations	18,638	28,812
Discontinued operations	–	589
	<u><u>18,638</u></u>	<u><u>29,401</u></u>

7. INCOME TAX CREDIT/(EXPENSE)

	2020 HK\$'000	2019 HK\$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the year	(96)	(2,975)
Current tax – Hong Kong Profits Tax		
– Over-provision in prior years	905	–
Deferred tax	–	1,949
	<u><u>809</u></u>	<u><u>(1,026)</u></u>
Representing		
Continuing operations	809	(1,182)
Discontinued operations	–	156
	<u><u>809</u></u>	<u><u>(1,026)</u></u>

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2019: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit/(expense) and the loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before tax	<u>68,001</u>	<u>70,892</u>
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	11,220	11,697
Tax effect of non-taxable income	9,137	16,947
Tax effect of non-deductible expenses	(14,867)	(21,355)
Tax effect of temporary differences not recognized	–	156
Tax effect of utilization of tax losses not previously recognized	–	2,436
Over-provision in prior year	905	–
Tax effect of tax losses not recognized	(6,523)	(4,137)
Effect of different tax rates of subsidiaries	<u>937</u>	<u>(6,770)</u>
Income tax credit/(expense) for the year	<u>809</u>	<u>(1,026)</u>

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Auditor's remunerations	930	840
Cost of inventories sold [#]	109,920	123,347
Depreciation – property, plant and equipment	4,691	5,787
Depreciation – right of use assets	10,187	6,863
Amortization – intangible asset	–	6,250
Net loss on fair value changes on investment at fair value through profit of loss	–	13,575
Impairment on exploration and evaluation assets	34,030	86,690
Net exchange losses/(gains)	740	(873)
Short term lease expenses	2,522	229
Research and development costs	52	149
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	75,872	70,892
– Retirement benefits scheme contributions	553	459
	76,425	71,351

[#] Cost of inventories sold includes staff costs and depreciation of approximately HK\$32,482,000 in total (2019: approximately HK\$30,758,000), which are included in the amounts disclosed separately above.

9. LOSS PER SHARE

Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$53,788,000 (2019: loss of approximately HK\$70,485,000) and the weighted average number of ordinary shares of 10,721,667,000 (2019: 10,615,461,000) in issue during the year.

From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK\$53,788,000 (2019: loss of approximately HK\$56,327,000) and denominator used is the same as that detailed above for basic loss per share.

From discontinued operations

The calculation of basic loss per share from discontinued operations attributable to owners of the Company for the year ended 31 December 2019 of HK cents 0.13 is based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK\$14,158,000 and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

10. INTERESTS IN ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Unlisted investment		
Share of net assets	1,104,482	1,080,100
Goodwill	96,181	90,228
	<u>1,200,663</u>	<u>1,170,328</u>

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarized financial information presented is based on the HKFRS financial statements of the associates.

Name	Chengde CITIC Securities Jinyu Investment Development Co., Ltd		Pacific Memory SDN BHD	
	PRC		Malaysia	
Principal place of business/ country of incorporation				
Principal activity	Primary land development		Properties development in Malaysia	
% Ownership interest	42.5%		35%	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December				
Non-current assets	3,676,593	3,434,191	–	–
Current assets	607,269	485,443	2,441,036	2,383,094
Non-current liabilities	(357,588)	(335,456)	(570,903)	(557,432)
Current liabilities	(2,727,641)	(2,391,138)	(78,202)	(72,663)
Net assets (net of non-controlling interests)	1,123,073	1,097,765	1,791,931	1,752,999
Group's share of net assets	477,306	466,550	627,176	613,550
Year ended 31 December				
Revenue	199,134	–	–	–
Profit/(loss) for the year	6,270	(69,854)	(3,299)	(3,374)
Other comprehensive income/(loss)	34,907	(63,911)	42,231	(7,696)
Total comprehensive income/(loss)	41,177	(133,765)	38,932	(11,070)

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>–</u>	<u>870</u>

12. LOANS AND INTERESTS RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Loans receivables	72,791	43,992
Impairment allowance	<u>(3,166)</u>	<u>(3,000)</u>
	69,625	40,992
Interests receivables	<u>20,049</u>	<u>3,325</u>
	<u>89,674</u>	<u>44,317</u>

The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2020 HK\$'000	2019 HK\$'000
0 to 6 months	–	31,492
7 to 12 months	29,800	9,500
Over 12 months	<u>39,825</u>	<u>–</u>
	<u>69,625</u>	<u>40,992</u>

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and bills receivables with the following aging analysis:

	2020 HK\$'000	2019 HK\$'000
0 to 30 days	9,046	14,162
31 to 90 days	15,042	17,353
91 to 180 days	14,685	8,191
Over 180 days	116	—
	38,889	39,706

The Group allows an average credit period of 30 to 180 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

As at 31 December 2020, trade receivables and bills receivables of approximately HK\$677,000 (2019: approximately HK\$599,000) are assigned to a bank for a factoring loan facility.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and bills payables with the following aging analysis:

	2020 HK\$'000	2019 HK\$'000
0 to 30 days	5,455	5,827
31 to 90 days	7,446	10,477
91 to 180 days	7,454	5,468
Over 180 days	1,164	948
	21,519	22,720

15. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2020 and 2019.

16. ACQUISITION OF SUBSIDIARIES

On 19 March 2020, the Group acquired 100% of the issued share capital of Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd and Dongguan Hexin Real Estate Development Co., Ltd; and 51% of the issued share capital of Nanjing Yuanding Real Estate Co., Ltd (the “**Target Companies**”) at a total consideration of approximately HK\$219,032,000 (RMB200,000,000) which is satisfied by the issuance of an interest-free promissory note with a term of six months and shall be subsequently settled by cash when it falls due. The Target Companies were engaged in property development in the PRC during the year.

The fair value of the identifiable assets and liabilities of the Target Companies acquired as at its date of acquisition is as follows:

	<i>HK\$'000</i>
Net assets acquired	
Property, plant and equipment	604
Properties under development for sale	1,221,612
Trade and other payables	(114,792)
Deferred tax liabilities	(59,315)
Cash and bank balances	27,843
Trade and other receivables	140,191
Current tax liabilities	(53)
Borrowings	(903,974)
	<hr/>
	312,116
Non-controlling interest	(50,319)
Gain on bargain purchase	(42,765)
	<hr/>
Consideration satisfied by issuance of promissory note	219,032
	<hr/> <hr/>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	27,843
	<hr/> <hr/>

The Group recognized a gain on bargain purchase of approximately HK\$42,765,000 in the business combination. The business combination results in a gain on bargain purchase because of the appreciation of the property development projects as at the date of acquisition.

The Target Companies contributed approximately HK\$28,949,000 loss to the Group's results for the year between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2020, total Group revenue from continuing operations for the year would remain as HK\$154,692,000, but loss for the year would have been HK\$76,451,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Results for the year

Revenue from the continuing operations of the Group for the year ended 31 December 2020 amounted to HK\$154.7 million, which represented a decrease of approximately 22.2% as compared to HK\$198.8 million in 2019.

The consolidated loss of the Group for the year ended 31 December 2020 amounted to HK\$67.2 million as compared to the loss of HK\$71.9 million in 2019.

Following is the review of the principal activities of the Group in 2020 and outlook of the Group's business in 2021.

Land and property development projects

Primary land development

The primary land development project is located at Luanping County, Chengde, Hebei Province, the PRC (the “**Luanping Project**”). Luanping County is located at the north-eastern part of the Hebei Province, the south-west of Chengde city. It is 165 kilometers and 275 kilometers away from the downtown of Beijing and Tianjin respectively and is known as the “North Gate” of the capital. Luanping County has an excellent ecological environment and it is the “Water Source Conservation Functional Zone” and “Ecological Environment Supporting Zone”, which are defined by the state. The forest coverage rate is more than 60%, which is very suitable for residence, leisure and vacation. It is the prime location choice of tourists from Beijing-Tianjin area for weekend vacation and travel. The famous tourist spots include Jinshanling Great Wall and Baicaowa National Forest Park.

Chengde CITIC Securities Urban and Rural Development Co., Ltd.* (承德中證城鄉開發有限公司) (“**CITIC Development**”) is the project company of the Luanping Project. The Company has 90% interest in CITIC Development through holding a 42.5%-owned associate called Chengde CITIC Securities Jinyu Investment Development Co., Ltd.* (承德中證金域投資開發有限公司) (“**CITIC Jinyu**”). CITIC Development is responsible for the planning, budgeting and management of the operation of the Luanping Project. By way of finance, CITIC Development provides resettlement compensation to local residents for land collection, construction of supporting roads, water supply, power supply, gas supply and other public infrastructure. The cost of development is borne by CITIC Development. When the land has been developed to a saleable state, the government authority is obligated to conduct land auctions. Certain portion of the proceeds from land auction is allocated by government authority to CITIC Development in the form of fixed and floating income.

Originally, the government authority planned to resume the land auctions in 2020 after the ecological environment issue that occurred in 2019 is resolved. However, due to the Covid-19 epidemic, the sale of land was again severely affected and delayed. During the year ended 31 December 2020, the government launched approximately 388.28 mu (or 258,850 square meters) of land for auction which is behind the original schedule of the project plan. As a result, the total transaction amount was only approximately RMB612.4 million in 2020 and the government returned approximately RMB354.4 million for the comprehensive land development cost to CITIC Development.

Regarding the infrastructure construction progress, it is expected that the construction of 16 kilometers of national highway G101 will be completed and will achieve full traffic by the first half of 2021. The pipeline and electricity network are expected to be completed by 40% by the end of 2021. Qin Chun New Residence, Bakshiyang Town, Luanping County* (灤平縣巴克什營鎮“沁春新居”) is the first resettlement community of the Luanping Project. The first phase of Qin Chun New Residence will be ready for residents to move in during April 2021 after completion of ancillary works.

With the delay in land auction for the Luanping Project during the year due to the impact of the Covid-19 epidemic and the deleverage of property development enterprises implemented by the state during the second half of the year, the area of land transfer for the Luanping Project was lower than expected. The share of profit from CITIC Jinyu amounted to approximately HK\$2.4 million, which was compared with a loss of approximately HK\$25.9 million in 2019. The expenses of associates mainly comprised of the operating expenses and interest for the Luanping Project.

Property development

In July 2019, the Company entered into an acquisition agreement with Shenzhen Qianhai CITIC Securities City Development Management Co., Limited* (深圳市前海中證城市發展管理有限公司) to acquire Shenzhen Qianhai Huateng Industrial Co., Ltd.* (深圳市前海中證華騰實業有限公司) (“**Qianhai Huateng**”). The acquisition includes two property development projects: the project in Nancheng District, Dongguan City, Guangdong Province (the “**Dongguan Project**”), and the project in Liuhe District, Nanjing City, Jiangsu Province (the “**Nanjing Project**”). The Company completed the acquisition on 19 March 2020.

The name of the Dongguan Project is CITIC•Cloud Courtyard* (中證•雲庭), and is located at the Nancheng District, Dongguan City. It is the area with the most mature supporting facilities and scarce housing supply in Dongguan City. The project consists of two 25-storey buildings with both residential and commercial elements. According to the latest construction plan, the gross floor area for residential portion and commercial portion are 23,410 square meters and 4,897 square meters respectively. The two underground floors will be parking areas. The construction is expected to be completed around June 2022.

For the Dongguan Project, during the year under review, the project progress can be summarized as follows:

- Pre-sale permission was obtained in October 2020. 129 apartments (gross floor area of 12,416.55 square meters with average selling price of RMB34,595 per square meter) have been sold up to 31 December 2020 with contract sales of approximately RMB429,560,000;
- The superstructure was completed in November 2020 and inspection has been carried out in December 2020, which was two months earlier than the original plan;
- 85% of water supplies, 90% of drainage, 75% of gas and electricity have been completed up to 31 December 2020; and
- Although the sales of the Dongguan Project are progressing smoothly, due to the significant tightening of mortgage facilities for property transactions by banks in Shenzhen, Dongguan and other areas, the collection of sales proceeds was not satisfactory. As at 31 December 2020, the initial payment from buyers was approximately RMB178.3 million, while the collection of funds from bank mortgages was only approximately RMB104.5 million.

The name of the Nanjing Project is Spring Breeze* (“泉悦春風”), and is located at Naishan ecological scenic area, Long Pao New City, Jiangbei New Area, Nanjing. The project features a high-end hot spring hotel and a low-density Chinese-style courtyard community. The total development area of the project is about 240,000 square meters. It includes development for three phases of low-density residential elements – villas and courtyard. There is also a Banyan Tree hotel development for the project since it is a tourist spot famous for its hot spring. The gross floor area of the whole project is about 292,000 square meters. The first phase of villas and courtyard are targeted to be delivered to customers by end of 2021 and the second and third phase by the end of 2023.

On 10 July 2020, within the red line of the project, a hot spring well with a well depth of 3,303.66 meters successfully produced water, and the outlet temperature of the well reached 70 degrees celsius. It was identified by the government as the deepest high-quality hot spring in Nanjing. A hot spring experience area was completed in October 2020.

For the Nanjing Project, during the year under review, the project progress can be summarized as follows:

- As affected by the Covid-19 epidemic, the resumption of works for the project was delayed. The progress of the construction of the first-phase residential units, selling center, display area and other projects, and marketing and sales of residential units were all delayed to varying degrees;
- The attainment of pre-sale approval licenses of 122 units for the first phase (the average selling price for the filed saleable area is RMB23,000 per square meter);
- Completion of the construction of showrooms, selling center and landscape core area and the whole area was open to public during December 2020;
- Up to January 2021, 24 residential units have been sold (approximately 20% of saleable units) with contract revenue of approximately RMB88.3 million. However, it was far below the annual target of RMB500 million, mainly because the “project management model” in cooperation with Greentown Real Estate Construction & Management Group Company Ltd. (“**Greentown**”) has been greatly challenged. The Nanjing Project company entrusted Greentown to manage the quality, cost, sales and cash flow budget and other management objectives of the project construction and management, but all fell short of expectations. The Nanjing Project company had to make adjustments to its management model, which led to a longer period of suspension in sales, which adversely affected the achievement of Nanjing Project company for its annual target;
- Completion of the drilling of hot spring well with depth of approximately 3,300 meters as mentioned above; and
- The revised planning of subsequent residential plots and grand landscape area was submitted to management for review in December 2020.

Update on the proposed commercial development at Port Dickson, Malaysia

The development plan of the first phase of proposed commercial development at Port Dickson, Malaysia has already been submitted to the relevant government agencies for approval and the part of the plan related to the building of berths has already been approved. Due to the Covid-19 epidemic, the development progress of the project has been significantly affected. As a result, the local management of Pacific Memory has revised the development plan and resubmitted it to The Port Dickson Municipal Council in October 2020. According to the revised development plan, there are two phases for the development. Phase 1 consists of hotel, wellness center, village spa and service apartment. Phase 2 consists of property development for commercial purposes. On 1 November 2020, The Port Dickson Municipal Council agreed to extend the planning approval validity period of phase 1 to 1 November 2021.

Money lending business

The segmental revenue being interest income from the Group's money lending business in 2020 was HK\$4.9 million (2019: HK\$12.5 million). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during the year under review. Total loans receivables as at 31 December 2020 were HK\$69.6 million (31 December 2019: HK\$41.0 million) after reviewing the risk of default of individual borrowers and making an impairment allowances of HK\$3 million (2019: HK\$3 million).

Coal mining business

In 2020, the Group did not have any production at the coal mine project in Central Kalimantan Province in the Republic of Indonesia ("**PT Bara Mine**") and therefore no revenue was recognized for the coal mining business in 2020.

As disclosed in the Company's announcement dated 6 July 2018, PT Bara Utama Persada Raya, a non-wholly owned subsidiary of the Company which holds the license of a coal mine in the Central Kalimantan Province in the Republic of Indonesia ("**PT Bara Mine**"), signed an co-operation agreement with PT Sinarjaya Mulia Kun ("**PT SMK**"), a party independent of the Company and its connected persons, to conduct mining activities at the PT Bara Mine. The pre-mining construction works commenced in early July 2018 and were completed in November 2018, but PT SMK is still in negotiation with the local landlord on the use of its access road and jetty (where coal is unloaded for shipment to the customers). Due to the Covid-19 epidemic, it has been more difficult to reach out to the landlord and the process was inevitably delayed. The negotiation situation, coupled with the drop of coal prices in recent months, has further held back the coal production progress. As at the date of this announcement, the PT Bara Mine has not commenced coal production. The Company will closely monitor the situation and will inform shareholders of the Company of any further development of the PT Bara Mine as and when appropriate.

According to the co-operation agreement with PT SMK, all contracts for arrangement of infrastructure building and equipment purchasing and hiring will be entered or committed by PT SMK, therefore no capital expenditure was incurred by the Company's coal mining business in 2020.

Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK\$2.2 million in 2020 as compared to HK\$2.1 million in 2019.

The coal resource estimates as at 31 December 2020 were as follows:

Coal Resource Estimate				
<i>(in thousand tonnes)</i>				
	As at 31 December 2020	As at 31 December 2019	Change in %	Reason of change
JORC Category				
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
	<hr/>	<hr/>		
Total	26,339	26,339		
	<hr/> <hr/>	<hr/> <hr/>		

The above coal resources estimate of the PT Bara Mine as at 31 December 2020 were the same as they were previously disclosed in the report dated 2 June 2011 (the “**2011 Report**”) prepared by Roma Oil and Mining Associates Limited (“**Roma**”) under the JORC Code and there was no material change to the status of the project since then except for, as mentioned above, some pre-mining construction works that were completed in November 2018.

Review of fair value of exploration and evaluation assets

The Company had engaged Graval Consulting Limited (“**Graval**”) to assist the management to determine the fair value (the “**2020 Valuation**”) and the impairment, if any, of the PT Bara Mine for the year ended 31 December 2020. Graval, after considering the different approaches of valuation of asset, had selected to use the Comparable Transaction Method under the market approach in the 2020 Valuation. The same methodology and method were selected and used in the valuation of the PT Bara Mine since 2013.

Adjustments were made on coal price due to the fact that the comparable transactions occurred at different times when the coal prices were differed from that on the valuation date. Graval has adopted the Indonesia thermal coal reference prices which are sourced from Kementerian Energi dan Sumber Daya Mineral for price adjustment. The coal price of US\$58.17/tonne was determined by Graval as at 31 December 2020.

The selected comparable transactions of coal projects in Indonesia completed around 5 years from the valuation date are set forth in the table below:

Table 1 – Details of comparable transactions

Transaction Date	Acquirer Name	Target Name	M&I Resources (%)	M&I Resources (million tonne)	Consideration (USD million)
19 July 2019	Prime Empire Investment Pte Ltd	PT Multi Tambangjaya Utama	15%	75	10
11 January 2019	PT PLN Coal Investment	PT Banyan Koalindo Lestari	51%	44	24
16 August 2018	Banpu Plc Thailand	PT Nusa Persada Resources	100%	143	30
20 September 2016	PT Golden Energy Mines Tbk PT Kuansing Inti Makmur	PT Era Mitra Selaras	100%	98	37
18 July 2016	Geo Energy Resources Ltd	PT Tanah Bumbu Resources	99%	55	90
26 December 2015	Geo Energy Resources Ltd	Borneo International Pte Ltd	34%	56	25
30 November 2015	Agritrade Resources	PT Merge Mining Holding Ltd	51%	144	50

The relevant coal prices used for the comparable transactions are shown in the table below:

Table 2 – Coal Prices utilised in the comparable valuations

Transaction Date	Event	Coal Price (USD/tonne)	Coal Price per tonne (USD)
31 December 2020	Graval effective valuation date for the mineral asset	58.17	
19 July 2019	Prime Empire Investment Pte Ltd acquired PT Multi Tambangjaya Utama	91.90	0.56
11 January 2019	PT PLN Coal Investment acquired PT Banyan Koalindo Lestari	98.70	0.63
16 August 2018	Banpu Plc Thailand acquired PT Nusa Persada Resources	97.19	0.13
20 September 2016	PT Golden Energy Mines Tbk and PT Kuansing Inti Makmur acquired PT Era Mitra Selaras	54.31	0.41
18 July 2016	Geo Energy Resources Ltd acquired PT Tanah Bumbu Resources	53.90	1.79
26 December 2015	Geo Energy Resources Ltd acquired Borneo International Pte Ltd	60.13	1.28
30 November 2015	Agritrade Resources acquired PT Merge Mining Holding Ltd	61.05	0.65

To utilize the comparable transactions above in valuing the mineral asset, the in-ground coal endowment of the PT Bara Mine is established as follows:

Table 3 – Attributable coal resources of mineral asset

Resources Category	Coal resources	Graval Factor	Factorised
	Tonnes (Million Tonne)		Tonnes (Million Tonne)
Measured	8.71	100%	8.71
Indicated	11.54	80%	9.23
Inferred	6.10	0%	–
Total	<u>26.35</u>		<u>17.94</u>

In accordance with the VALMIN Code (2015), Graval is required to precisely study the procedure on how resource estimation was done. Based on the Technical Report and Resource Statement of the Project prepared by SRK dated September 2010, there is no mention of whether outcrops of each seams have been adjusted in the process of resource estimation and the depth of each seam used for resource estimation remains unknown. Given the uncertainties, an estimated 20% discount on the Indicated Resources has been applied.

Based on the 2020 Valuation, the recoverable amount of the exploration and evaluation assets was less than the carrying amount as at 31 December 2020. Accordingly, an impairment loss of HK\$34.0 million was recognized for the year ended 31 December 2020 (2019: HK\$86.7 million).

Manufacture and sale of healthcare and household products

As mentioned in our Interim Report 2020, the revenue of the Group's manufacturing business has decreased by 23.0% in the first half of 2020 when compared to the corresponding period in 2019, but such downward trend slowed down in the second half of 2020. Full year revenue for 2020 decreased by approximately HK\$36.5 million or by 19.6% to HK\$149.8 million as compared to HK\$186.3 million in 2019. The decrease in revenue is mainly attributable to the drop in sales to the PRC which decreased by approximately HK\$26.3 million mainly due to stiff competition in the electric toothbrushes market and the impact of the Covid-19 epidemic. Sales to the USA increased by approximately HK\$4.7 million. In addition to the organic growth, the growth was attributed to the introduction of certain new products. Sales to Hong Kong and other countries decreased by approximately HK\$1.2 million mainly due to the impact of the Covid-19 epidemic which is less for South East Asian countries. Sales to Europe also decreased, with a drop in sales of France and Germany of HK\$2.0 million and HK\$5.2 million respectively.

Gross profit margin decreased from approximately 33.8% in 2019 to approximately 26.6% in 2020 mainly due to decrease in revenue resulting in a higher per-item fixed production costs since fixed production costs had no significant change over the year. Gross profit decreased by HK\$23.1 million to HK\$39.9 million in 2020 as compared to HK\$63.0 million in 2019. The decrease in gross profit was attributable to the abovementioned decrease in revenue. Overall, the Group's manufacturing business recorded a segmental profit of HK\$1.9 million in 2020 as compared to profit of HK\$20.9 million in 2019.

Other gains and losses

The Group recorded a loss of approximately HK\$67.2 million in 2020 as compared to loss of approximately HK\$71.9 million for the year ended 31 December 2019 which was mainly due to the combined effects of the following reasons:

- (i) the abovementioned reasons for decrease in profit of the money lending business and the manufacturing and sale of healthcare and household products;
- (ii) other income increased by approximately HK\$4.5 million mainly due to increase in other interest income with increase in loans receivables and the government subsidies from Employment Support Scheme amounted to approximately HK\$2.6 million;
- (iii) administrative expenses increased by approximately HK\$26.9 million mainly due to the administrative expenses incurred by the subsidiaries of the Dongguan Project and Nanjing Project, which were acquired during the year;
- (iv) net loss of HK\$13.6 million on fair value changes on financial assets at fair value through profit or loss in 2019 with no such amount for current year since all the investments were disposed of during the year ended 31 December 2019;
- (v) during the year ended 31 December 2019, the Group recognized a gain on bargain purchase of approximately HK\$102.5 million in the acquisition of Hong Kong Zhongzheng City Investment Limited. During the year ended 31 December 2020, the Group again recognized a gain on bargain purchase of approximately HK\$42.8 million in the acquisition of Qianhai Huateng, Dongguan Project and Nanjing Project. The gain on the bargain purchase was an one-off non-cash adjustment which has no impact on the Group's operating cash flow;
- (vi) the Company has carried out review of the recoverable amount of certain property, plant and equipment and other assets. Accordingly, during the year ended 31 December 2020, the reviews led to the recognition of an impairment loss on exploration and evaluation assets of approximately HK\$34.0 million (2019: HK\$86.7 million).

- (vii) share of results of associates changed from loss of approximately HK\$27.1 million for the year ended 31 December 2019 to profit of approximately HK\$1.2 million for the year ended 31 December 2020. In addition to the 35% interest held by the Group in Pacific Memory, the increase was due to the 42.5% interest in CITIC Jinyu, which was part of the acquisition of the company principally engaged in primary land development project in the PRC; and
- (viii) finance costs decreased by HK\$10.2 million to HK\$18.6 million (2019: HK\$28.8 million) mainly due to settlement of shareholders loans.

Prospect

The construction development of the Luanping Project, Dongguan Project and Nanjing Project resumed from the Covid-19 aftermath. However, the land auction for the Luanping Project was delayed as a result of the Covid-19 epidemic. In face of the deleveraging of the property development enterprises implemented by the government, the secondary property developers are less willing to purchase land and as a result, the area of land transfer for the Luanping Project was lower than expected. Besides, the pricing trend of the PRC real estate remains uncertain as the PRC government intends to implement the “housing is for living and not for speculation” policy to get rid of the bubbles in the market. This has caused pressure on financial institutions to deleverage their finance, leading to a tightening of mortgage policies. Although the Dongguan Project and Nanjing Project are smaller scale property development projects, buyers may also find it more difficult to obtain mortgages from banks. These factors have created uncertainty to the overall domestic property development industry which may impact the Luanping Project, Dongguan Project and Nanjing Project. The Board needs to thoroughly evaluate the ability of these projects to withstand policy changes and capital chain risks in order to make judgments and actions that are in line with the interests of the Company and the Shareholders.

In relation to the Group’s manufacture and sale of healthcare and household products, Fairform Manufacturing Company Limited, being a subsidiary of the Group, is one of the PRC’s largest manufacturer of powered oral care products. With over four decades of experience in the industry, and led by knowledgeable leaders and specialists, the Group aspires to be the preferred partner for innovative and sustainable oral care solutions to meet the needs of global brands and retailers.

The Group has been partnering with various global brands, including but not limited to, P&G, Philips and Panasonic. The Disney’s licensed kids toothbrush project with P&G has gained a huge market share in the North America both at the retail industry and e-commerce platform. The project is expected to be rolled out in new markets such as Australia, South Korea and India in the coming year.

The Group is in the second stage of a bidding for a project in relation to the manufacturing of a styled hair trimming device which is targeted to be sold globally. It is also bidding two contracts in Europe in relation to the manufacturing of rechargeable toothbrush. In North America, the Group is bidding a contract for the manufacturing of electric toothbrush.

The collaborations with different international brands provide them a more cost efficient and direct solution to enter into the PRC Market. Ultimately, the Group targets to leverage on their technical capabilities to further improve its production chain and eventually develops its own brand and sells the products directly into the market.

As more people realised the benefits in the technology of powered oral products, the Group is confident about its development and is optimistic on the prospects of the healthcare and household products business. It expects the sales in 2021 will be higher than that in 2020 due to a significant increase in purchase orders.

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2020, the Group had cash and bank deposits of HK\$177.1 million (2019: HK\$166.9 million) including a foreign currency deposits denominated in Renminbi (“**RMB**”) amounted to HK\$169.8 million (2019: HK\$5.8 million).

Current ratio

As at 31 December 2020, the Group had net current assets of HK\$462.6 million (2019: HK\$108.2 million) and current ratio (being current assets over current liabilities) of 1.26 (2019: 1.32).

Debts and borrowings

As at 31 December 2020, the Group had total debts and borrowings of HK\$1,382.1 million (2019: HK\$320.3 million) which included unsecured loan from a financial institute, secured bank loan, unsecured other loans and secured factoring loans.

Gearing ratio

The Group's gearing ratio being total debt over total equity is 97.0% (2019: 23.1%).

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profiles of the Group's borrowings are mainly at fixed rates. The Group has minimal exposure to interest rate risk, and the Group's operating cash flows are substantially independent of changes in market interest rates. The Group does not hedge against interest rates risk.

Fund Raising Activities

The Company has not conducted any fund raising activities in 2020.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Company completed the acquisition of Qianhai Huateng, Dongguan Project and Nanjing Project on 19 March 2020. The above companies have become subsidiaries of the Company and their financial results were consolidated in the results of the Group for the year ended 31 December 2020. For details of the acquisition, please refer to the paragraph headed “Land and property development projects” above.

Saved as disclosed above, the Group had no other significant investments held, nor any material acquisition nor disposal in 2020.

PLEDGE OF ASSETS

As at 31 December 2020, certain land and buildings, amounted to approximately HK\$59,060,000 (2019: approximately HK\$51,168,000) of the Group were pledged to secure banking facilities granted to the Group. Trade and bills receivables of the Group amounted to approximately HK\$677,000 (2019: approximately HK\$599,000) were pledged under factoring arrangement. Properties under development for sale of the Group amounted to approximately HK\$332,727,000 (2019: nil) were pledged to secure bank borrowings granted to the Group.

MATERIAL CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 29 employees (2019: 25) in Hong Kong, 671 employees (2019: 753) in the PRC and 2 employees (2019: 1) in Indonesia. Employees’ remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group’s business results and employees’ individual merit.

The Company has a share option scheme which was approved in a shareholders’ special general meeting on 31 August 2015 (the “**2015 Share Option Scheme**”). Under the 2015 Share Option Scheme, the Company may offer share options to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of the 2015 Share Option Scheme were set out in the Company’s circular dated 14 August 2015. No share options were granted or exercised during both 2020 and 2019 under the 2015 Share Option Scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2020, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the Provision A.4.1 stipulates that independent non-executive Directors (“INEDs”) should be appointed for a specific term and subject to re-election. During the year under reviewed, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As all director’s appointment is subject to review when they are due for re-election, the Company is of the view that this meets the same objectives of the said code provision.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management its internal controls and financial reporting matters. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (<http://www.hkex.com.hk>). The annual report of the Company for the year ended 31 December 2020, containing all the information required by Appendix 16 to the Listing Rules, will be despatched to shareholders of the Company and published on the Stock Exchange's website in due course.

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Leung Chung Shan, Mr. Tam Lup Wai, Franky, Mr. Qiu Qing, Mr. Liu Liyang, and Mr. Gao Yuxiang; one non-executive Director, namely Mr. Lim Kim Chai, J.P. and three independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen.

* *For identification purpose only*