



**ZHONG HUA INTERNATIONAL HOLDINGS LIMITED**  
**中華國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 1064

**INTERIM REPORT 2022**



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Drawing appeared in this report is computerized imaging artwork and does not associate with the Group's existing or potential property development projects.

# Corporate Information

## 2 BOARD OF DIRECTORS

### Executive Director

Ho Kam Hung

### Non-Executive Director

Young Kwok Sui

### Independent Non-Executive Directors

Wong Kui Fai  
Wong Miu Ting, Ivy  
Tam Kong, Lawrence

### COMPANY SECRETARY

Chun Wai Yin

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2911, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Central  
Hong Kong

### PRINCIPAL OFFICE IN MAINLAND CHINA

Level 14, Gang Yu Square  
Chiaodong Road  
Chiaotianmen  
Chongqing

### AUDITOR

Ernst & Young  
*Certified Public Accountants and  
Registered Public Interest Entity Auditor*

### LEGAL ADVISERS

*As to Hong Kong Law*  
ReedSmith Richards Butler  
17th Floor One Island East  
18 Westlands Road  
Quarry Bay  
Hong Kong

*As to Bermuda Law*  
Conyers Dill & Pearman  
29th Floor One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### PROPERTY VALUERS

Savills Valuation and Professional Services Limited  
12th Floor Cityplaza One  
1111 King's Road  
Taikoo Shing  
Hong Kong

Vigers Appraisal and Consulting Limited  
27th Floor Standard Chartered Tower  
Millennium City 1  
388 Kwun Tong Road  
Kwun Tong  
Kowloon  
Hong Kong

### PRINCIPAL BANKERS

China Minsheng Bank  
Nanyang Commercial Bank, Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Queensway  
Hong Kong

### COMPANY WEBSITE

[www.zhonghuagroup.com](http://www.zhonghuagroup.com)

### STOCK CODE

The Main Board of The Stock Exchange of Hong Kong Limited: 1064

The Board of Directors (the “Directors”) of Zhong Hua International Holdings Limited (the “Company”) would like to announce the unaudited consolidated results of the Company for the six months ended 30 June 2022 (the “Period”), together with the comparative figures for the corresponding period in 2021, as follows:

## FINANCIAL REVIEW

The Company recorded a consolidated revenue of HK\$15,104,000 for the Period, representing an increase of approximately 1% compared with the revenue for the corresponding period last year (2021: HK\$14,980,000). Profit attributable to ordinary equity holders of the Company for the Period was HK\$1,051,000 (2021: HK\$489,000).

### Adjusted EBITDA

The Adjusted EBITDA of the Company and its subsidiaries (collectively the “Group”) for the Period was profit of HK\$4,995,000 (2021: HK\$4,071,000). Adjusted EBITDA refers to the earnings before interest, tax and depreciation but does not take into account the effect of changes of fair value of investment properties.

### Net Profit

The profit before tax of the Group for the Period was HK\$3,118,000 (2021: HK\$2,152,000) and the profit of the Group for the Period was HK\$521,000 (2021: loss of HK\$353,000). The results of the Group changed from loss of HK\$353,000 for the corresponding period last year to profit of HK\$521,000 for the Period was attributable to the slightly decrease of administrative expenses from HK\$12,320,000 for the corresponding period last year to HK\$11,717,000 for the Period.

### Liquidity and Financial Resources

During the Period, the Group’s operations were financed mainly by cash flows generated from business operations and borrowings. The Group’s net cash flows from operating activities during the Period were HK\$210,000 (2021: HK\$3,521,000).

As at 30 June 2022, the Group had cash and bank balances of HK\$66,310,000 (31 December 2021: HK\$93,204,000) and did not have bank borrowings.

# Management Discussion and Analysis

## 4 FINANCIAL REVIEW (Cont'd)

### Liquidity and Financial Resources (Cont'd)

As at 30 June 2022, the Group had outstanding borrowings of HK\$75,352,000 (31 December 2021: HK\$79,359,000) comprising lease liability of HK\$495,000 (31 December 2021: HK\$1,303,000) and a loan from a director in an amount of HK\$74,857,000 (31 December 2021: HK\$78,056,000). According to its respective terms, the lease liabilities of HK\$495,000 (31 December 2021: HK\$1,303,000) is repayable within one year and all are denominated in Hong Kong dollars. The Group's exposure to interest rate fluctuation was minimal in the past years.

The Group's gearing ratio during the Period was 0.02 as at 30 June 2022 (31 December 2021: 0.02), calculated based on the Group's lease liability and loan from a director in an aggregate amount of HK\$75,352,000 (31 December 2021: HK\$79,359,000) over total assets of HK\$4,514,747,000 (31 December 2021: HK\$4,727,091,000). The Group maintained a relatively low gearing ratio in the past years.

### Assets

As at 30 June 2022, the Group's net current assets, net assets and total assets amounted to HK\$1,070,000 (31 December 2021: HK\$7,399,000), HK\$3,090,160,000 (31 December 2021: HK\$3,223,376,000) and HK\$4,514,747,000 (31 December 2021: HK\$4,727,091,000), respectively.

The Group had two investment properties, one in Chongqing (重慶市) and the other in Guangzhou (廣州市), both in Mainland China. The investment property in Chongqing, which the Group had 100% interest, had carrying amount of HK\$407,979,000 (31 December 2021: HK\$425,414,000) as at 30 June 2022. The investment property in Guangzhou, which the Group had 25% interest, had carrying amount of HK\$3,966,300,000 (31 December 2021: HK\$4,135,800,000) as at 30 June 2022.

The Group also had properties situated at Baiyun District (白雲區) and Fangcun District (芳村區) in Guangzhou, all of which were held for sale with book cost of HK\$30,939,000 (31 December 2021: HK\$32,262,000) as at 30 June 2022.

## FINANCIAL REVIEW (Cont'd)

### Exchange Rate Risk

The Group's principal operations are located in Mainland China while the financial statements of these operating subsidiaries are reported in Renminbi. The Company may expose to exchange rate risk when transactions and financial statements of these operating subsidiaries reported in Renminbi are consolidated to the Company's condensed consolidated financial statements which are reported in Hong Kong dollars. The Group did not take measures such as execution of forward hedging or exchange swap instruments to hedge the potential impact arising from adverse currency fluctuation between Renminbi and Hong Kong dollars in the past years. Given the exchange rates between Renminbi and Hong Kong dollars were not fluctuated materially from time to time in the past years, the Group could reasonably assess the trend of exchange rates between the two currencies in order to reduce its adverse impact to the Company's condensed consolidated financial statements as far as practicable.

### Charges on Assets

As at 30 June 2022, none of the Group's assets were pledged.

### Share Premium Reduction

A special resolution was passed at the annual general meeting of the Company (the "AGM 2022") held on 14 June 2022 (the "Effective Date") to the effect of cancelling an amount of HK\$400,000,000 standing to the credit of share premium account of the Company and the entire credit amount arising from such cancellation to offsetting the equivalent debit amount of accumulated losses of the Company. Accordingly, the relevant credit of share premium account of the Company was offset with the equivalent debit amount of accumulated losses of the Company on the Effective Date.

The implementation of the share premium reduction neither involved a reduction in the authorised or issued share capital of the Company nor involved any reduction in the nominal value of the Company's shares or the trading arrangements concerning the Company's shares. Save for the expenses incurred by the Company in relation to the share premium reduction, the implementation of the share premium reduction did not, in itself, have any material adverse effect on the underlying assets, liabilities, cash flow or financial position of the Company or the interests of shareholders as a whole.

Further details were disclosed in the circular of the Company dated 11 May 2022 and the announcement of the Company dated 14 June 2022.

## Management Discussion and Analysis

### 6 FUND RAISING ACTIVITIES

On 15 April 2020, it was announced that the Company entered into a subscription agreement with Link Tide Investments Limited, a private company incorporated in the British Virgin Islands and an independent third party, in respect of subscription and issue of 108,000,000 new shares in the capital of the Company at an issue price of HK\$0.15 per share pursuant to the Company's general mandate granted on 18 June 2019 (the "New Issue"). All conditions precedent as set out in the subscription agreement were satisfied and the New Issue was completed on 27 April 2020.

The net proceeds raised from the New Issue applied up to 30 June 2022 are as follows:

Category	Intended use of the net proceeds as stated in the Company's announcement dated 15 April 2020		Proceeds utilised as at 30 June 2022	Proceeds unutilised as at 30 June 2022	Expected schedule of use
	Net amount (HK\$ in million)	Percentage	Net amount (HK\$ in million)	Remaining amount (HK\$ in million)	
Redevelopment costs of redevelopment project in Guangzhou, Mainland China	12.0	74.5%	–	12.0	On or before 30 June 2023
General working capital	4.1	25.5%	4.1	–	–
<b>Total</b>	<b>16.1</b>	<b>100%</b>	<b>4.1</b>	<b>12.0</b>	

The Group held the unutilised net proceeds in short-term deposits with licensed banks as at 30 June 2022.

## BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and management businesses in Mainland China and have two major property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

### Guang Yu Square in Chongqing

The Group's property interest in Chongqing is situated at Chaotinmen, Yuzhong District, Chongqing (重慶市渝中區朝天門). With a history of over five centuries and situated in the northeast of Yuzhong District and at the delta of Yangtze River (長江) and Jianing River (嘉寧江), Chaotinmen is the most prominent port in Chongqing for transporting goods and passengers to and from the Three Gorges (三峽). Guang Yu Square (港渝廣場) is located at the junction of Chao Dong Road (朝東路) and Shanxi Sixth Lane (陝西六巷) in Chaotinmen which is within walking distance of about 15 minutes to the Port of the Three Gorges (三峽碼頭) and walking distance of about 20 minutes to Jiafangbei (解放碑), the most prime shopping area in Chongqing as well as with walking distance of about 5 minutes to Raffles City Chongqing (重慶來福仕廣場), the newly developed and most spectacular commercial landmark in Chongqing and within walking distance of about 10 minutes to Chaotinmen Square (朝天門廣場), which is one of the most famous sightseeing points in Chongqing.

Guang Yu Square is a 15-storey commercial building with a total gross floor area of about 49,400 square metres, out of which the Group owns portion of Basement, Levels 1 to 4, Levels 8 and 11 with total gross floor area of about 24,400 square metres. The property, which has been fully refurbished in 2016, is presently a multi-floor shopping mall focusing in wholesale and retailing of men's wear and footwear. There are about 50–70 shops per level with shop area ranging from 20–60 square metres per shop. Most shops are leased to unsolicited third parties for a term of about one year renewable automatically with prevailing market rental. The shopping mall (the floors owned by the Group) is almost fully occupied and shop turnover rate is maintained at a relatively low level. Given Chaotinmen has been one of the major clothing distribution points in Chongqing for nearby cities and the Three Gorges region for decades, Guang Yu Square is one of the most popular men's wear and footwear wholesale points in the region.

# Management Discussion and Analysis

## 8 BUSINESS REVIEW (Cont'd)

### Guang Yu Square in Chongqing (Cont'd)

Notwithstanding the Chongqing Municipal People's Government (重慶市人民政府) continued to implementing the "Zero COVID-19" policy ("新冠病毒清零" 政策) and extreme heatwave recorded this summer, the business operation of Guang Yu Square remained usual and normal during the Period except for temporary knockdown due to minor COVID-19 outbreak surged from time to time. Rental revenue, however, was not materially affected during the Period as most leases for 2022 were committed in late December 2021.

### The Re-development Project in Guangzhou

The Group's property interest in Guangzhou is situated at Yuexiu District, Guangzhou (廣州市越秀區). The development site, previously named as Metropolis Shoes City (廣州大都市鞋城) is located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Lane (謝恩里) in Yuexiu District which is within walking distance of about 3 minutes to the Old Hall (舊館) of the Canton Fair (廣州交易會), which was once the only export window in Mainland China before its Reform and Open Door Policy (改革開放政策) implemented in 1978, and within walking distance of about 5 minutes to the riverbank of the Pearl River (珠江), the icon of Guangzhou.

The Metropolis Shoes City (before operation ceased in August 2019) was a 2-storey non-permanent building with gross floor area of about 14,700 square metres and about 500 shops. With a history of over one century for footwear wholesale business in the region, the Metropolis Shoes City was the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The Metropolis Shoes City ceased operation in August 2019 for re-development purpose. The Yuexiu District People's Government (越秀區人民政府) (the "Yuexiu Government") expressed that they would use their best endeavors to support the re-development plan of Guangzhou Zheng Da Real Estate Development Company Limited (廣州正大房地產開發有限公司) ("GZ Zheng Da"), an indirect subsidiary of the Group.

## **BUSINESS REVIEW (Cont'd)**

### **The Re-development Project in Guangzhou (Cont'd)**

As requested by the Yuexiu Government for celebrating the centennial establishment of the Chinese Communist Party (中國共產黨成立百週年誌慶), the platform of the re-development site was topped with cement with green work for temporary carpark purpose in mid 2021.

As to-date, except for one block of building remained not yet surrendered (尚未完成拆遷) and a few shops next to the mall continued to operate business as usual, the Metropolis Shoe City was demolished and the re-development site was leased to a third party for licensed carpark operation.

Pending to the surrender of the last block of a 7-storey building being occupied by an individual owner (小業主), the re-development project is intended to be developed into a 22-storey versatile grade A commercial building complex with twin towers and 3-level of basement for wholesale and exhibition hall facilities, office and service apartment uses with ancillary facilities such as carpark and loading/unloading bays with total gross floor area of about 234,000 square metres. It is also planned that the basement of the new building complex will be linked via subway to two metro stations, namely Yide Lu Station (一德路站) and Haizhou Square Station (海珠廣場站).

In early 2021, the State Council re-launched new urban policy directive to encourage the re-mapping of commercial zone to residential zone in first-tier cities with an objective of decreasing the over-supply of commercial properties (due to the boom of e-commerce) as well as increasing the supply of residential properties in the market. The Group carried out preliminary feasibility study on this new policy and expected that the investment return of the new development project will be significantly improved if in case part of the re-development can be modified from service apartment to residential property. The Group was confident that the re-mapping policy would be on agenda soon once the consolidation of property development market nationwide was on track.

The property market crisis emerged in late 2021 blew up the property market boom nationwide and its impact remained unrelieved and unavoidably hit the property market sentiment in Guangzhou during the Period. Nevertheless, GZ Zheng Da's re-development plan remained on track as it required very limited capital resources at its planning stage.

According to the latest construction schedule (assuming construction commences in the first quarter of 2023), it is expected that the development project will take about four years and be completed by two phases, the first of which will be completed in late 2025 and the second stage will be completed in the first quarter of 2027. Subject to the grant of inspection and safety permits by the relevant regulatory authorities, it is expected that the new commercial complex will commence business and generate rental revenue to the Group at its earliest in early 2026.

# Management Discussion and Analysis

## 10 BUSINESS REVIEW (Cont'd)

### **The Re-development Project in Guangzhou (Cont'd)**

The re-development project will be constructed with a budgeted cost of about RMB1,700 million (HK\$1,989 million), of which the Group and the related parties will bear 25% and 75% of the total costs, respectively (assumed on the basis that the Group held 25% interest in the development project as to-date). It is intended that the construction costs will be financed by bank borrowings (with pledge of the Group's property assets), project financing, equity financing and new funds of potential investors. In certain circumstances, the potential contractors and building materials suppliers will advance working capital to the re-development project, which is a common industry practice in Mainland China.

Notwithstanding the re-development project in Guangzhou ceased to contribute significant revenue to the Group in coming years, it is expected that it will continue to generate rental income from a few remaining units not yet demolished and temporarily carpark until the construction work commences.

The subject asset will remain as an investment property under Hong Kong Accounting Standard 40 – *Investment Property* and be measured at its fair value with changes in fair value recognised in the Group's financial statements for subsequent financial years. It is expected that the new commercial complex will be held for earning rentals and capital appreciation purposes upon completion.

Meantime, the Group will proactively explore other income sources and new business projects in Guangzhou in order to compensate the revenue forgone due to the closure of the wholesale mall in 2019.

### **Properties Held for sale**

The Group had a portfolio of about 190 residential units ranging from 20 square metres to 70 square metres each unit with total gross area of about 11,070 square metres. These residential units were constructed in late 1990s for the purpose of interim resettlement of occupiers who surrendered their units for demolition of the development site in Yuexiu District but remained unoccupied as to-date. Most of these residential units are first-hand units.

These properties represent five clusters of residential units situated at Baiyun District (白雲區) and Fangcun District (芳村區) in Guangzhou with convenient traffic access. Given all these units were completed for more than two decades, they are subject to refurbishment before launch for sale in the market. It is expected that these units will be well perceived by the first-time home buyers once they re-establish confidence in property investment.

## MATERIAL ACQUISITION UPDATE

The Group was engaged in a material acquisition (the “Acquisition”), details of which were disclosed in the “Material Acquisition Update” section as contained in the Company’s annual report for the year ended 31 December 2021 (the “Annual Report 2021”). Below is the latest development of the Acquisition since 29 March 2022, the date of publication of the Annual Report 2021.

In June 2022, the Group and the related vendors executed an extension agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the acquisition of the remaining 75% indirect interest in the re-development project in Guangzhou (as described in detail in the above section) not later than the revised long stop date which was further deferred to 30 June 2023. The Directors perceived that completion of remaining tranches of the Acquisition would be in the interest of the Group as a whole. If a revised agreement is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds.

If in case the Acquisition lapses on 30 June 2023, no party shall be liable to each other. If this happens, the Group will no longer deem control over Zheng Da Real Estate Development Company Limited (“HK Zheng Da”) and GZ Zheng Da, its wholly-owned subsidiary, and there will be a major accounting adjustment to the consolidated financial statements of the Company for the year ending 31 December 2023 to the effect that HK Zheng Da will be regarded as an associated company with a 25% equity interest but not a 25%-owned subsidiary of the Company. Further announcement will be made once a concrete decision is made by the Group.

# Management Discussion and Analysis

## 12 LIQUIDATION DISMISSAL ORDER UPDATE

In May 2021, GZ Zheng Da received a written judgement (民事裁定書) from the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court"). The written judgement granted an order to the effect that a compulsory liquidation petition (the "Alleged Liquidation Petition") pleaded by 廣州市越秀房地產開發經營有限公司 ("越房私企") (a third party which is neither a shareholder nor creditor of GZ Zheng Da) was turned down (駁回強制清算申請裁定) (the "Liquidation Dismissal Order (清算駁回裁定)") based on the grounds that "the two co-operative partners of GZ Zheng Da had major disputes on company dissolution or not, major assets and equity interest matters while such disputes had remained not yet on trial or arbitrated for affirmation at the court (雙方股東對於廣州正大是否發生解散事由、公司主要財產以及公司股東股權尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

In the Liquidation Dismissal Order, the Guangzhou Court ascertained that GZ Zheng Da remained "in operation (在業)" and that HK Zheng Da had 100% equity interest in GZ Zheng Da.

The Liquidation Dismissal Order was the first court paper in relation to the Alleged Liquidation Petition that GZ Zheng Da had ever received from the Guangzhou Court, which was over 10 years from the alleged plead made by 越房私企 in 2009. The Company was pleased to acknowledge receipt of the Liquidation Dismissal Order ruling that 越房私企 did not possess the prerequisites for pleading a liquidation petition against GZ Zheng Da.

The Company perceives that the Liquidation Dismissal Order casts out the legal uncertainties of GZ Zheng Da which have hampered its operation for about a decade and will expedite the re-development plan of GZ Zheng Da.

越房私企 submitted an appeal to the Liquidation Dismissal Order (the "Dismissal Order Appeal") in late May 2021 as permissible by law. The Dismissal Order Appeal was heard in January 2022 but ruling was not yet made as to-date.

Taking into account the facts and legal grounds substantiated in the Liquidation Dismissal Order and the opinion given by PRC legal counsel and advisers, the Company remains optimistic in obtaining a favourable judgement in the Dismissal Order Appeal.

## MATERIAL LITIGATION UPDATE

Background and developments of the Group's material litigations were summarised in the "Background of Material Litigation" and "Material Litigation Update" sections of the Annual Report 2021. All these cases were instituted more than five years ago.

As advised by the Company's PRC legal counsel, cases (a) and (c) mentioned above are not yet concluded while case (c) may have financial impact to the Group if the rulings are unfavourable to the Group. Case (b) was concluded and claims were fully settled in April 2021. The financial impact of case (b) has been fully provided or reflected in the Company's financial statements for previous financial years and the information reported therein is for information purpose only.

Cases (a) and (c) did not have new developments during the Period.

The Company's view on these litigation cases expressed in the Annual Report 2021 remains applicable as to-date. The Company remains optimistic in obtaining favorable judgements for cases (a) and (c).

## OUTLOOK

The challenges arising from the COVID-19 pandemic in Mainland China and Hong Kong remain strenuous with cross border travelling restrictions imposed between Mainland China and Hong Kong as well as travelling aboard. In view of the severity of the outbreak, it is necessary and appropriate to accord priority to the health and safety of all personnel when performing their duties. The Directors are striving with its staff to adhere to stringent hygiene standards in offices and shopping areas.

China is one of the few nations adopting "Zero-COVID" policy albeit many other nations uplifting most of their quarantine and social distancing measures in this third year of COVID-19 pandemic. The knockdown measures imposed in major cities, particularly in Shanghai, in the second quarter of this year devastatingly hit the economy and supply chain nationwide. It is premature at this stage to assess if such massive containment measures in combating COVID-19 pandemic will continue or be relaxed in the fourth quarter of this year, hence premature, if not difficult, to assess the economic performance of China for 2022.

# Management Discussion and Analysis

## 14 OUTLOOK (Cont'd)

Domestically, the Chinese Central Government has been focusing on tackling the property sector blow, the economic recovery nationwide, the widespread drought in inner provinces and the anticipated power shortages in coming fall as well as the COVID-19 pandemic. On the international front, disturbances stemming from the protracted Russia-Ukraine war, lingering tensions with Washington Administration and its allies, the anticipated US Federal Reserve's interest rate hike and global inflation threat as well as the surge of global oil, mineral and food commodities prices are factors that posing challenges to the economic acceleration of China this year.

The impact of recent COVID-related restrictions makes it more difficult for China to fundamentally reverse its downward economic trend in the second half of this year. While unveiling a new 19-point policy package to add another RMB1 trillion worth of stimulus spending, the State Council warned in late August that "marginal fluctuations still remain and foundation of an economic recovery is not solid" in the country. It is generally perceived that China would be difficult to meet the GDP growth target of "around 5.5 percent" set by the State Council for 2022.

The property sector crisis nationwide hit the sluggish economy further. It appears that the Chinese Central Government has lowered the benchmark interest rate and given directives to leading commercial banks to boost liquidity in the property sector since first quarter of this year. It is expected that the property development market will remain tiring until and when the capital supply in this sector is refuelled and it will take time for market to recover until confidence re-establishes among investors and end-users.

The Key Speech (重要講話) presented by China's President at the 25th anniversary of Promulgation of Basic Law (基本法頒佈廿五週年誌慶) in Hong Kong emphasised that capitalism and common law system will continue to sustain as long term policies in Hong Kong under the framework of "One Country Two Systems". The Directors have confidence that this assurance will keep Hong Kong moving on and prospering in the longer term (行穩致遠). The Directors love China and Hong Kong (愛國愛港) and fully support "The Patriots to Administrate Hong Kong" (全力支持愛國者治港方針) as well as "The Hong Kong Administration to govern in accordance with the Basic Law" (全力支持香港特區政府依法施政) policies.

## **OUTLOOK (Cont'd)**

The Chinese Communist Party, the ruling party of China, marched to its second centennial era in 2022. The Directors wish the Chinese Communist Party will uphold “Perseverance is road to triumph” (堅持就是勝利) and build a wealthy and strong China.

Looking ahead, 2022 remains a tough year for both Mainland China and Hong Kong. The Directors will be cautious in deploying the Group’s resources to encounter the aforesaid challenges in the fourth quarter of this year.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had about 24 (31 December 2021: 24) employees. Total staff costs (including directors’ remuneration) for the Period amounted to HK\$3,916,000 (2021: HK\$4,149,000).

Remuneration policies are reviewed regularly by the Directors and by the remuneration committee in respect of remuneration of the directors and senior management, respectively. The Group values all employees and recognises their contributions, and is committed to establishing fair and caring relationship with its employees by offering competitive compensation packages comparable to market benchmarks.

## Disclosure of Interests

### 16 DIRECTORS'/CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers (the "ST Code") as set out in Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and which were required to be entered into the register pursuant to Section 352 of the SFO, were as follows:

#### Long position in shares of the Company

Name of Director and chief executive	Capacity and nature of interest	Number of shares held	Percentage of the Company's share capital
Ho Kam Hung ( <i>note</i> )	Through controlled corporation	110,600,000 ( <i>Note 1</i> )	15.50%

*Note:*

Ho Kam Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:

- (i) 10,800,000 shares are held by Morcambe Corporation, a company beneficially owned by him.
- (ii) 87,120,000 shares are held by EC Fair Limited, which he has 33 $\frac{1}{3}$ % interest.
- (iii) 12,680,000 shares are held by High Rank Enterprises Limited, which he has approximately 31.6% interest.

## SHARES IN ASSOCIATED CORPORATIONS OF THE COMPANY

At 30 June 2022, the following Director had interests in the non-voting deferred shares in certain subsidiaries of the Company:

### Long position in shares of the associated corporations

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives		Capacity and nature of interest	Percentage of the associated corporation's issued share capital
				Long position	Short position		
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China Land Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13

All the above mentioned non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the relevant company, or to participate in any distribution on winding-up.

Save as disclosed above, as at 30 June 2022, to the best knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the ST Code.

## Disclosure of Interests

### 18 DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors'/Chief Executive's Interests in the Shares of the Company and its Associated Corporations" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, to the knowledge of the Company, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares and underlying share as recorded in the register required to be kept under Section 336 of the SFO:

#### Long position in shares of the Company

Name of shareholders	Capacity and nature of interest	Number of Shares held	Percentage of the Company's share capital
Ye Jia Li <i>(Note 1)</i>	Interest of spouse	110,600,000	15.50
Ho Tsam Hung <i>(Note 2)</i>	Through controlled corporation	105,600,000	14.80
Ho Pak Hung <i>(Note 3)</i>	Through controlled corporation	99,800,000	13.99
Liang Gui Fen <i>(Note 4)</i>	Interest of spouse	99,800,000	13.99
EC Fair Limited <i>(Notes 2 and 3)</i>	Directly beneficially owned	87,120,000	12.21
Link Tide Investments Limited <i>(Note 5)</i>	Through controlled corporation	108,000,000	15.13
Guangshi Harvest Limited <i>(Note 6)</i>	Through controlled corporation	108,000,000	15.13
China Guangshi International Investment Holdings Co., Ltd. <i>(Note 7)</i>	Through controlled corporation	108,000,000	15.13
新疆光實含弘股權投資管理有限公司	Directly beneficially owned	108,000,000	15.13
Strong Hero Holdings Limited <i>(Note 8)</i>	Directly beneficially owned	100,000,000	14.01
Xie Xiaoxiang	Through controlled corporation	100,000,000	14.01

**SUBSTANTIAL SHAREHOLDERS (Cont'd)****Long position in shares of the Company (Cont'd)**

Notes:

1. Ye Jia Li is deemed (by virtue of the SFO) to be interested in these shares in the capacity as the spouse of Ho Kam Hung, a Director.
2. Ho Tsam Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:
  - (i) 5,800,000 shares are held by Morgan Estate Assets Limited, which is beneficially owned by him.
  - (ii) 87,120,000 shares are held by EC Fair Limited, a company which he has 33 $\frac{1}{3}$ % interest.
  - (iii) 12,680,000 shares are held by High Rank Enterprises Limited, which he has approximately 31.6% interest.
3. Ho Pak Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:
  - (i) 87,120,000 shares are held by EC Fair Limited, which he has 33 $\frac{1}{3}$ % interest.
  - (ii) 12,680,000 shares are held by High Rank Enterprises Limited, which he has approximately 31.6% interest.
4. Liang Gui Fen is deemed (by virtue of the SFO) to be interested in these shares in the capacity as the spouse of Ho Pak Hung.
5. Link Tide Investments Limited is wholly-owned by Guangshi Harvest Limited.
6. Guangshi Harvest Limited is wholly-owned by China Guangshi International Holdings Co., Ltd.
7. China Guangshi International Holdings Co., Ltd. is wholly-owned by 新疆光實含弘股權投資管理有限公司.
8. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

Save as disclosed above, as at 30 June 2022, other than the Directors or chief executive of the Company whose interests are set out in the section headed "Directors'/Chief Executive's Interests in the Shares of the Company and its Associated Corporations" above, no person had registered an interest or short position in the shares or underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Disclosure of Interests

### 20 SHARE OPTION SCHEME

The Company's share option scheme was adopted at the special general meeting of the Company held on 19 December 2012 (the "Scheme"), detailed terms of which were disclosed in the Annual Report 2021.

The purposes of the Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, Directors and others; (b) strengthen the relationships between the Group and its employees, Directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate eligible participants to assist in development and expansion of the Group.

No share options were granted or exercised during the Period.

### INTERIM DIVIDEND

The Directors did not recommend the distribution of interim dividend for the Period (2021: Nil).

### CODE ON CORPORATE GOVERNANCE PRACTICE

Throughout the Period, the Company generally complied with the Code on Corporate Governance Practice (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

Details of the Company’s corporate governance practices were disclosed in the Corporate Governance Report as set out the Annual Report 2021.

As to-date, the board of directors of the Company comprises of five members, i.e. one executive Director, one non-executive Director and three independent non-executive Directors, all of them have been serving on board for more than 10 years.

At the AGM 2022, the Chairperson of the meeting declared that all three independent non-executive Directors had served on the board for more than nine years and Wong Kui Fai, one of the three independent non-executive Directors, was re-elected upon retirement by rotation pursuant to the Company’s bye-laws.

Pursuant to the newly revised CG Code, the Company is required to appoint an additional independent non-executive Director with effect from the financial year commencing on or after 1 January 2023 if all existing three independent non-executive Directors, all of whom have served for more than nine years, remain on board by then. The Directors will review the board composition of the Company with an objective of balancing the interest of the Group and the said code compliance.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the ST Code by the Directors. Having made specific enquiry of the Directors, the Company confirmed that the Directors had complied with required standard set out in the ST Code throughout the Period.

## Other Disclosure Pursuant to Listing Rules

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

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

#### **REVIEW BY AUDIT COMMITTEE**

The Group's unaudited condensed consolidated financial statements for the Period had been reviewed by the audit committee of the Company.

#### **APPROVAL OF INTERIM REPORT**

This interim report was approved and authorised for issue by the Directors on 31 August 2022.

# Unaudited Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED INCOME STATEMENT

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		For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
	Notes		
Revenue	2	15,104	14,980
Other income and gains		526	330
Administrative expenses		(11,717)	(12,320)
Finance costs	3	(795)	(838)
<b>PROFIT BEFORE TAX</b>	4	<b>3,118</b>	2,152
Income tax expense	5	(2,597)	(2,505)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>521</b>	(353)
Attributable to:			
Ordinary equity holders of the Company		1,051	489
Non-controlling interests		(530)	(842)
		<b>521</b>	(353)
<b>PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
– Basic		<b>HK0.15 cents</b>	HK0.07 cents
– Diluted		<b>HK0.15 cents</b>	HK0.07 cents

# Unaudited Condensed Consolidated Financial Statements

## 24 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Profit/(loss) for the period	521	(353)
<b>Other comprehensive income/(expense)</b> <i>Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(133,737)	26,613
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD</b>	<b>(133,216)</b>	<b>26,260</b>
Attributable to:		
Ordinary equity holders of the Company	(39,018)	8,564
Non-controlling interests	(94,198)	17,696
	<b>(133,216)</b>	<b>26,260</b>

# Unaudited Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 25

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,716	4,013
Right-of-use asset		473	1,419
Investment properties		4,374,279	4,561,214
		<u>4,378,468</u>	<u>4,566,646</u>
Total non-current assets			4,566,646
<b>CURRENT ASSETS</b>			
Properties held for sale		30,939	32,262
Trade receivables	8	26,175	21,611
Prepayments, deposits and other receivables		12,855	13,368
Cash and bank balances		66,310	93,204
		<u>136,279</u>	<u>160,445</u>
Total current assets			160,445
<b>CURRENT LIABILITIES</b>			
Trade payables	9	(2,060)	(2,121)
Other payables and accruals		(54,652)	(70,101)
Tax payable		(78,002)	(79,521)
Lease liability		(495)	(1,303)
		<u>(135,209)</u>	<u>(153,046)</u>
Total current liabilities			(153,046)
<b>NET CURRENT ASSETS</b>		<u>1,070</u>	<u>7,399</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,379,538</u>	<u>4,574,045</u>

## Unaudited Condensed Consolidated Financial Statements

### 26 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>	
<b>NON-CURRENT LIABILITIES</b>		
Loan from a director	(74,857)	(78,056)
Due to a director	(121,059)	(149,036)
Long term other payables	(150,185)	(140,763)
Deferred tax liabilities	(943,277)	(982,814)
	<u>(1,289,378)</u>	<u>(1,350,669)</u>
Total non-current liabilities	(1,289,378)	(1,350,669)
Net assets	<u>3,090,160</u>	<u>3,223,376</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	17,840	17,840
Reserves	880,312	919,330
	<u>898,152</u>	<u>937,170</u>
Non-controlling interests	2,192,008	2,286,206
	<u>3,090,160</u>	<u>3,223,376</u>

# Unaudited Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 27

	Attributable to equity holders of the Company							
	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>
At 1 January 2022 (Audited)	17,840	412,127	80,258	153,479	273,466	937,170	2,286,206	3,223,376
Profit/(loss) for the period	-	-	-	-	1,051	1,051	(530)	521
Exchange differences arising on translation of foreign operations	-	-	-	(40,069)	-	(40,069)	(93,668)	(133,737)
Total comprehensive income/(expense) for the period	-	-	-	(40,069)	1,051	(39,018)	(94,198)	(133,216)
Share premium reduction (note 13)	-	(400,000)	-	-	400,000	-	-	-
At 30 June 2022 (Unaudited)	<u>17,840</u>	<u>12,127</u>	<u>80,258</u>	<u>113,410</u>	<u>674,517</u>	<u>898,152</u>	<u>2,192,008</u>	<u>3,090,160</u>
At 1 January 2021 (Audited)	17,840	412,127	80,258	129,088	266,655	905,968	2,206,224	3,112,192
Profit/(loss) for the period	-	-	-	-	489	489	(842)	(353)
Exchange differences arising on translation of foreign operations	-	-	-	8,075	-	8,075	18,538	26,613
Total comprehensive income for the period	-	-	-	8,075	489	8,564	17,696	26,260
At 30 June 2021 (Unaudited)	<u>17,840</u>	<u>412,127</u>	<u>80,258</u>	<u>137,163</u>	<u>267,144</u>	<u>914,532</u>	<u>2,223,920</u>	<u>3,138,452</u>

# Unaudited Condensed Consolidated Financial Statements

## 28 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>210</b>	3,521
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal portion of lease payments	(808)	(997)
Decrease in an amount due to a director	(26,933)	(7,487)
Net cash flows used in financing activities	(27,741)	(8,484)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(27,531)</b>	(4,963)
Cash and cash equivalents at beginning of period	93,204	86,407
Effect of foreign rate changes	637	649
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>66,310</b>	82,093
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances as stated in the condensed consolidated statement of financial position	66,310	82,093

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standards ("HKAS") 34 – *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2021.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties that are measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following new and revised standards effective as of 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The adoption of these new and revised HKFRSs did not have material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

# Unaudited Condensed Consolidated Financial Statements

## 30 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and two reportable operating segments are as follows:

- (a) the property investment segment, which invests in properties located in Mainland China for generating potential income from letting; and
- (b) the corporate and other segment, which provides management services to group companies.

The accounting policies of the operating segments are the same as those described in the Company's financial statements for the year ended 31 December 2021.

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

The following table presents revenue and results information on the Group's operating segments:

#### For the six months ended 30 June

	Property investment		Corporate and others		Total	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	15,104	14,980	–	–	15,104	14,980
Segment results	10,356	9,560	(6,969)	(6,900)	3,387	2,660
Other income and gains					526	330
Finance costs					(795)	(838)
Profit before tax					3,118	2,152
Income tax expense					(2,597)	(2,505)
Profit/[loss] for the period					521	(353)

#### Information about major customers

For the Period, there was only one single customer (2021: one) with transactions exceeded 10% of the Group's total revenue and its contribution amounted to HK\$15,104,000 (2021: HK\$14,980,000).

# Unaudited Condensed Consolidated Financial Statements

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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### 3. FINANCE COSTS

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on:		
Loan from a director	774	768
Lease liability	21	70
	<u>795</u>	<u>838</u>

### 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	136	135
Depreciation of right-of-use asset	946	946
Interest income	(428)	(224)
	<u>654</u>	<u>857</u>

# Unaudited Condensed Consolidated Financial Statements

## 32 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 5. INCOME TAX

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – elsewhere		
Charge for the period	1,745	1,660
Deferred	852	845
Total tax charge for the period	<u>2,597</u>	<u>2,505</u>

No provision for Hong Kong profits tax had been made as the Group did not generate any taxable profits in Hong Kong during the Period (2021: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The subsidiaries established in Mainland China are subject to income taxes at the rate of 25% (2021: 25%).

### 6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2021: Nil).

### 7. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit per share for the Period is based on the profit attributable to ordinary equity holders of the Company of HK\$1,051,000 (2021: HK\$489,000) and the number of ordinary shares 713,616,520 (2021: 713,616,520) in issue during the Period.

During the six months ended 30 June 2022 and 2021, the Group had no potentially dilutive ordinary shares in issue.

# Unaudited Condensed Consolidated Financial Statements

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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### 8. TRADE RECEIVABLES

An ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	16,134	62	15,945	74
More than 6 months but within 1 year	10,041	38	5,666	26
	<u>26,175</u>	<u>100</u>	<u>21,611</u>	<u>100</u>

The Group generally grants a credit term of 3 months to 12 months to its customers.

The ageing of the Group's trade receivables is based on the date of recognition of revenue. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

### 9. TRADE PAYABLES

An ageing analysis of the Group's trade payables at the end of the reporting period is as follows:

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	HK\$'000	Percentage	HK\$'000	Percentage
More than 1 year	<u>2,060</u>	<u>100</u>	<u>2,121</u>	<u>100</u>

The ageing of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

# Unaudited Condensed Consolidated Financial Statements

## 34 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 10. COMMITMENTS

At the end of the reporting period, the Group had contracted, but not provided for commitments in respect of construction works relating to investment properties amounting to approximately HK\$1,531,000 (31 December 2021: HK\$1,596,000).

### 11. LITIGATIONS

Details of the Group's material litigations are disclosed in the "Management Discussion and Analysis" section of this report.

### 12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances with related parties as detailed elsewhere in the condensed consolidated financial statements, the Group also incurred an interest expense of HK\$774,000 (30 June 2021: HK\$768,000) in respect of a loan from a director during the Period. Currently, the interest rate of that loan from a director is 2% (30 June 2021: 2%) per annum.

### 13. SHARE PREMIUM REDUCTION

A special resolution was passed at the annual general meeting of the Company held on 14 June 2022 to the effect of cancelling an amount of HK\$400,000,000 standing to the credit of share premium account of the Company and the entire credit amount arising from such cancellation to offsetting the equivalent debit amount of accumulated losses of the Company. Accordingly, the relevant credit of share premium account of the Company had been offset with the equivalent debit amount of accumulated losses of the Company.

Further details were disclosed in the circular of the Company dated 11 May 2022 and the announcement of the Company dated 14 June 2022.