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## **ZHONGZHENG INTERNATIONAL COMPANY LIMITED**

### **中證國際有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 943)**

## **PRELIMINARY INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

### **UNAUDITED INTERIM RESULTS**

Reference is made to the announcements of Zhongzheng International Company Limited (the “**Company**”) dated 27 February 2023 and 24 April 2023 in relation to, among others, the delay in publication of the announcement in respect of preliminary results for the six months ended 31 December 2022 (the “**Period**”).

The board of directors (the “**Board**”) of the Company is pleased to announce that the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the Period together with the unaudited comparative figures for the six months ended 30 June 2021 were as follows:

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2022*

		<b>Six months ended</b>	
		<b>31 December</b>	30 June
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Revenue		<b>745,823</b>	44,153
Interest revenue		<b>653</b>	2,418
<b>Total revenue</b>	4	<b>746,476</b>	46,571
Cost of sales		<b>(548,344)</b>	(39,768)
<b>Gross profit</b>		<b>198,132</b>	6,803
Other income and other gains and losses	5	<b>10,926</b>	1,360
Selling and distribution expenses		<b>(9,796)</b>	(12,107)
Administrative expenses		<b>(57,760)</b>	(77,990)

	<b>Six months ended</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss) from operations</b>	<b>141,502</b>	(81,934)
Share of results of associates	<b>(24,714)</b>	(28,304)
Finance costs	6 <b>(30,076)</b>	(16,844)
<b>Profit/(loss) before tax</b>	<b>86,712</b>	(127,082)
Income tax expense	7 <b>(134,249)</b>	(3)
<b>Loss for the period</b>	<b>(47,537)</b>	(127,085)
<b>Loss for the period</b>	8 <b>(47,537)</b>	(127,085)
<b>Loss for the period attributable to:</b>		
Owners of the Company	<b>(34,736)</b>	(116,308)
Non-controlling interests	<b>(12,801)</b>	(10,777)
	<b>(47,537)</b>	(127,085)

	<b>Six months ended</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period</b>	<u><b>(47,537)</b></u>	<u><b>(127,085)</b></u>
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(16,856)	(6,313)
Share of associates exchange differences on translating foreign operations	<u>(29,804)</u>	<u>(16,461)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u><b>(46,660)</b></u>	<u><b>(22,774)</b></u>
<b>Total comprehensive loss for the period</b>	<u><b>(94,197)</b></u>	<u><b>(149,859)</b></u>
<b>Total comprehensive loss for the period attributable to:</b>		
Owners of the Company	(81,396)	(139,082)
Non-controlling interests	<u>(12,801)</u>	<u>(10,777)</u>
	<u><b>(94,197)</b></u>	<u><b>(149,859)</b></u>
<b>Loss per share</b>	10	
Basic (cents per share)	<u><b>(0.32)</b></u>	<u><b>(1.08)</b></u>
Diluted (cents per share)	<u><b>N/A</b></u>	<u><b>N/A</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2022*

		At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	66,771	70,536
Right-of-use assets		8,127	9,678
Interests in associates	12	1,021,186	1,075,705
Loans and interests receivables	14	7,084	6,431
		<b>1,103,168</b>	1,162,350
<b>Current assets</b>			
Inventories		29,191	34,930
Properties under development for sales		1,290,506	1,349,567
Properties held for sales		271,183	702,754
Trade and other receivables	13	290,924	336,783
Loans and interests receivables	14	12,853	12,853
Amounts due from associates		312,681	354,449
Current tax assets		936	938
Bank and cash balances		104,896	167,450
		<b>2,313,170</b>	2,959,724
<b>Current liabilities</b>			
Trade and other payables	15	(676,740)	(1,255,242)
Promissory note	16	(223,175)	(234,484)
Lease liabilities		(1,892)	(4,613)
Borrowings		(1,079,044)	(1,021,135)
Shareholders loans		(290,600)	(290,600)
Current tax liabilities		(140,550)	(5,929)
		<b>(2,412,001)</b>	(2,812,003)
<b>Net current (liabilities)/assets</b>		<b>(98,831)</b>	147,721
<b>Total assets less current liabilities</b>		<b>1,004,337</b>	1,310,071

		<b>At 31 December 2022</b>	At 30 June 2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Lease liabilities		(7,169)	(6,125)
Borrowings		(24,337)	(210,279)
Deferred tax liabilities		(51,471)	(78,110)
		<u>(82,977)</u>	<u>(294,514)</u>
<b>NET ASSETS</b>		<b><u>921,360</u></b>	<b><u>1,015,557</u></b>
<b>Capital and reserves</b>			
Share capital	17	429	429
Reserves		908,122	989,518
		<u>908,551</u>	984,947
Equity attributable to owners of the Company		908,551	984,947
Non-controlling interests		12,809	25,610
		<u>921,360</u>	<u>1,015,557</u>
<b>TOTAL EQUITY</b>		<b><u>921,360</u></b>	<b><u>1,015,557</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2022*

## 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 Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, 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 period ended 31 December 2022 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the period ended 30 June 2022 (“**2022 Annual Report**”).

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. 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 period and prior years.

#### 4. REVENUE AND SEGMENT INFORMATION

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

	Property development	Primary land development	Money lending business	Coal mining business	Healthcare and household business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Period ended 31 December 2022: (Unaudited)</b>						
Revenue	632,606	-	653	-	113,217	746,476
Segment (loss)/profit	114,820	(22,291)	642	(484)	11,414	104,101
<b>As at 31 December 2022: (Unaudited)</b>						
Segment assets	1,786,244	758,095	19,993	-	162,386	2,726,718
Segment liabilities	1,653,742	325,843	-	-	122,804	2,102,389
<b>Period ended 30 June 2021: (Unaudited)</b>						
Revenue	-	-	2,418	-	44,153	46,571
Segment (loss)/profit	(55,305)	(10,189)	2,508	(426)	(15,891)	(79,303)
<b>As at 30 June 2021: (Unaudited)</b>						
Segment assets	2,313,363	829,655	56,720	107,006	126,072	3,432,816
Segment liabilities	2,192,760	7,423	-	-	102,680	2,302,863

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

	<b>Six months ended</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit or loss:</b>		
Total profit/(loss) of reportable segments	<b>104,101</b>	(79,303)
Share of results of associates	<b>(427)</b>	(28,304)
Corporate and unallocated loss	<b>(16,962)</b>	(19,475)
Consolidated profit/(loss) before tax for the	<b>86,712</b>	(127,082)

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

	<b>Six months ended</b>	
	<b>31 December</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Property development	<b>632,606</b>	–
Healthcare and household business	<b>113,217</b>	44,153
	<hr/>	<hr/>
Revenue from contracts with customers	<b>745,823</b>	44,153
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Interest income from money lending business	<b>653</b>	2,418
	<hr/>	<hr/>
	<b>746,476</b>	46,571
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**Disaggregation of revenue from contracts with customers**

<b>Segment</b>	<b>Six months ended</b>		
	<b>31 December</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>31 December</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
		<b>Healthcare and household business</b>	<b>Healthcare and household business</b>
United States of America	–	<b>94,056</b>	31,619
The People's Republic of China (the "PRC")	<b>632,606</b>	<b>8,897</b>	3,262
Germany	–	<b>7,374</b>	5,631
France	–	<b>137</b>	282
United Kingdom	–	<b>827</b>	656
Hong Kong and others	–	<b>1,926</b>	2,703
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	<b>632,606</b>	<b>113,217</b>	44,153
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All revenue from contracts with customers are recognised at a point in time.

## 5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Unaudited)
Bank interest income	197	508
Others	572	612
PRC MPF government refund	688	–
Interest income from associates	8,997	–
Scrap sales	472	240
	<u>10,926</u>	<u>1,360</u>

## 6. FINANCE COSTS

	Six months ended	
	31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Unaudited)
Interest on other loans	8,275	8,741
Lease interests	369	1,054
Interest on shareholders loans	6,691	6,475
Interest on bank loans	15,385	27,996
	<u>30,720</u>	<u>44,266</u>
Less: interest capitalised in properties under development for sale	<u>(644)</u>	<u>(27,422)</u>
	<u>30,076</u>	<u>16,844</u>

## 7. INCOME TAX EXPENSE

	Six months ended	
	31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Current tax – PRC Enterprise Income Tax		
– Provision for the year	31,451	3
– Land appreciation tax	125,818	–
– Deferred tax	(23,020)	–
	<u>134,249</u>	<u>3</u>

No provision for Hong Kong Profits Tax has been made for the Period as the Group did not generate any assessable profits arising in Hong Kong (six months ended 30 June 2021: 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.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

## 8. LOSS FOR THE PERIOD

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

	Six months ended	
	31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Gain/(loss) on disposal of property, plant and equipment	91	(12)
Directors' emoluments	(1,819)	(3,876)
	<u>91</u>	<u>(3,876)</u>

## 9. INTERIM DIVIDEND

The board does not recommend any interim dividend for the six months ended 31 December 2022 (six months ended 30 June 2021: Nil).

## 10. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the Period attributable to owners of the Company of approximately HK\$34,736,000 (six months ended 30 June 2021: loss of approximately HK\$116,308,000) and the weighted average number of ordinary shares of 10,721,666,832 (six months ended 30 June 2021: 10,721,666,832) ordinary shares in issue during the Period.

### 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 six months ended 31 December 2022 and 30 June 2021.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, property, plant and equipment of approximately HK\$1,756,000 was acquired by the Group (six months ended 30 June 2021: approximately HK\$389,000).

## 12. INTERESTS IN ASSOCIATES

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2021 HK\$'000 (Audited)
Share of net assets plus goodwill	<b><u>1,021,186</u></b>	<u>1,075,705</u>

The details of the associates are summarised as follows:

Name	Principal place of business/ countries of incorporation	% of ownership	Principal activity	Carrying amount	
				31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Chengde CITIC Securities Jinyu Investment Development Co., Ltd. (CITIC Jinyu)	The PRC	42.5%	Primary land development	446,906	494,881
Pacific Memory Sdn Bhd	Malaysia	35.0%	Property development	574,280	580,824
				<u>1,021,186</u>	<u>1,075,705</u>

### 13. TRADE AND OTHER RECEIVABLES

The trade and other receivable included trade receivables of approximately HK47,776,000 as at 31 December 2022. The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
0 to 30 days	12,806	18,298
31 to 90 days	27,377	26,800
91 to 180 days	6,544	5,164
Over 180 days	1,049	1,061
	<u>47,776</u>	<u>51,323</u>

#### 14. LOANS AND INTERESTS RECEIVABLES

The loans and interests receivables included loan receivables of approximately HK\$17,623,000 as at 31 December 2022. The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Over 12 months	<b>17,623</b>	17,623

#### 15. TRADE AND OTHER PAYABLES

The trade and other payables included trade payables and bills payables of approximately HK\$105,232,000 as at 31 December 2022. The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
0 to 30 days	<b>4,040</b>	8,791
31 to 90 days	<b>12,667</b>	22,657
91 to 180 days	<b>77,433</b>	15,729
Over 180 days	<b>11,092</b>	7,695
	<b>105,232</b>	54,872

#### 16. PROMISSORY NOTE

Upon the completion date of the acquisition of Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd and Dongguan Hexin Real Estate Development Co., Ltd on 19 March 2020, the Company issued a six months interest free promissory note with a principal amount of approximately HK\$223,175,000 (RMB200,000,000) as a part of the settlement of the consideration.

On 24 October 2022, in the circumstances and to mitigate the possible adverse impact on the Group arising from the prolonged extension of completion date of the Disposal, the holder of promissory note has irrevocably and unconditionally agreed to (i) waive all its rights and claims against the Company under the promissory note and to deliver the promissory note to the Company for cancellation; and (ii) waive all its rights and claims against the Company for all the accrued interest (including default interest, if relevant) payable by the Company in relation to the promissory note. If the completion of the Disposal takes place, the cancellation of promissory note and waiver of interest should become part of the consideration for the Disposal.

On 3 January 2023, the Disposal has been terminated and will not proceed, and that the promissory note is no longer a valid instrument.

## 17. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.00004 each at 1 January 2021, 30 June 2022, and 31 December 2022	25,000,000,000,000	1,000,000
	<u>25,000,000,000,000</u>	<u>1,000,000</u>
	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.00004 each: At 30 June 2022 (Audited) and 31 December 2022 (Unaudited)	10,721,666,832	429
	<u>10,721,666,832</u>	<u>429</u>

## 18. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (30 June 2022: Nil).

## 19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these Interim Financial Statements, the Group had no other transactions and balances with its related parties during the period ended 31 December 2022.

## 20. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 5 May 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Business Review*

#### *Results for the Period*

Revenue of the Group for the Period amounted to approximately HK\$746,476,000, which represented an increase of approximately 1,502.9% as compared to HK\$46,571,000 for the six months ended 30 June 2021. The significant increase was mainly due to the combined effects of (i) the delivery of the project in Nancheng District, Dongguan City, Guangdong Province (the “**Dongguan Project**”) in July 2022 and the recognition of revenues from the property owners’ prepayments and (ii) the increase in revenue generated from healthcare and household products business as further explained below.

The consolidated loss of the Group for the Period amounted to approximately HK\$47,537,000 and a loss of approximately HK\$127,085,000 was reported for the six months ended 30 June 2021.

Set out below is the review of the business of the Group for the Period and the outlook of the Group’s business for the six months ending 30 June 2023.

#### *Manufacture and sale of healthcare and household products*

Revenue of the healthcare and household products business for the Period amounted to approximately HK\$113,217,000, representing an increase of approximately HK\$69,064,000 or 156.4% as compared to approximately HK\$44,153,000 recorded for the six months ended 30 June 2021. The significant increase was mainly because Q3 & Q4 of a year were the typical peak seasons of exporting whereas Q1 & Q2 were the typical off seasons. Further, during the first half of 2021, the global shipping disruption caused by the Covid-19 pandemic led to the delay of shipments and the mismatch of logistics, thereby adversely impacting the sales.

During the Period, USA remained the largest market for this segment, accounting for approximately 83.1% of the revenue, driven by orders from an American multinational consumer goods corporation for kid’s toothbrush and an American pharmaceutical company to replenish inventory. Europe and the United Kingdom accounted for approximately 7.4% of the Group’s revenue derived from this segment, with the remaining 9.5% of the revenue derived from the PRC, Hong Kong and others.

The segment’s gross profit margin for the Period was approximately 30.2%, which represents an increase of approximately 20.2% over the six months ended 30 June 2021. This was driven by the significantly higher sales revenue and stable fixed costs of manufacturing for the Period as compared to the six months ended 30 June 2021.

### ***Money lending business***

The Group's money lending segment generated revenue of approximately HK\$653,000 for the Period (the six months ended 30 June 2021: HK\$2,418,000). 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. As of 31 December 2022, the total receivables were approximately HK\$17,623,000 (as at 30 June 2022: HK\$17,623,000).

On 31 August 2022, one borrower with outstanding loan principal and interest of approximately HK\$19,792,000 and HK\$3,557,000, respectively, was ordered to be wound up by the High Court. Since the credit risk associated with the loan and interest receivables of this borrower increased significantly, the impairment losses of HK\$15,150,000 and HK\$2,723,000 were already recognised for loan and interest receivables, respectively, for the eighteen months ended 30 June 2022.

In February 2023, the Group entered into settlement agreements with three other borrowers. The Group has waived 100% of the interest receivables of approximately HK\$2,962,000 for one borrower and the principal amount of HK\$6,000,000 was settled in full by that borrower in March 2023. As regards the remaining two borrowers with total outstanding loan principal and interest of approximately HK\$15,500,000 and HK\$5,531,000 respectively, 70% interest receivables amounted to approximately HK\$3,872,000 were waived and no future interest will be charged by the Group. 10% of the outstanding loan principal and interest receivables amounted to approximately HK\$1,740,000 were repaid in February 2023 upon entering the settlement agreement. The remaining loan principal and interest receivables will be repayable by three annual installments in January 2024, 2025 and 2026.

In March 2023, the Group initiated legal action against one borrower with outstanding loan principal and interest of approximately HK\$1,173,000 and HK\$205,000 respectively and the outcome of the legal action is still pending as of the date of this announcement.

In view of the recent market sentiment, the Group does not expect further growth in its money lending business for the six months ending 30 June 2023.

### ***Coal mining business***

As disclosed in the preliminary results announcement for the eighteen months ended 30 June 2022 of the Company dated 5 May 2023, the mining license of the coal mining business segment was revoked by the local government authorities on 22 April 2022. The subsidiary has made an application for reinstatement of the mining license in June 2022. However, based on the latest legal advice obtained by the Group and in light of the lapse of time, the Management considered that the reinstatement of the mining license is remote. There was no change to the circumstances pertaining to the restatement application during the Period and no material activities had been carried on by this segment.

### ***Primary land development***

The primary land development project is located at Luanping County, Chengde, Hebei Province, the PRC (the “**Luanping Project**”). The Luanping Project consists of two phases, with Phase one expected to cover a development land area of approximately 12,000 mu and be completed within 8 years (8 November 2016 to 7 November 2024). The detailed planning of the second phase of the Luanping Project is yet to commence. Chengde CITIC Securities Urban and Rural Development Co., Ltd.\* (承德中證城鄉開發有限公司) (“**Chengde Development**”) is the project company of the Luanping Project. The Company holds 42.5% equity interest in Chengde CITIC Securities Jinyu Investment Development Co., Ltd.\* (承德中證金城投資開發有限公司) (“**Jinyu Investment**”), a company which in turns holds 90% equity interest in Chengde Development. The Luanping Project is capital intensive. The cost of development of the infrastructure is borne by Chengde Development, and when the land has been developed to a ready and saleable state, the government authority is obligated to conduct land sale through auctions. Chengde Development will only be able to recover its development costs or receive the share of proceeds after the sale of developed land through auction by the local government. Any delay in land auctions of the Luanping Project would adversely affect the operating cashflow of the Luanping Project.

As disclosed in the 2021 second interim report of the Group for the 12 months ended 31 December 2021, the operations of all property development projects in the Luanping County, including the Luanping Project, were suspended by the local government due to ecological environmental issues, but the suspension had been subsequently uplifted. In this connection, no land auction was conducted during the Period except for one done in the first half of the year 2021, with an area of land plot of 6.255 mu and the price of the land at approximately RMB5,200,000.

The Group was given to understand that the government authority intended to resume land auctions on the Luanping Project with the clearance of the ecological environmental issues. Although the process had been delayed due to the prolonged prevalence of the Covid-19 pandemic and the changing market conditions, it is understood by the management that land auction by the local government for the Luanping Project would be re-commenced in the near future.

### ***Property development***

The property development segment includes two property projects: the Dongguan Project and the project in Liuhe District, Nanjing City, Jiangsu Province (the “**Nanjing Project**”).

The name of the Dongguan Project called CITIC·Cloud Courtyard\* (中證·雲庭), located at the Nancheng District, Dongguan City, which is the area with the most mature supporting facilities and scarce housing supply in Dongguan City. The Dongguan Project is a small scale property development project which comprises the development of two composite buildings comprising residential units and commercial units with GFA of approximately 23,410 sq.m. and 4,897 sq.m., respectively, and 178 car parking lots. The construction of the project was already completed at the end of the Period. Since the revenue recognition criteria were met, the Dongguan Project recognised revenue of approximately HK\$632,606,000 for the Period, mostly from the property owners’ prepayments.

During the second half of 2022, the resurgence of Covid-19 in China adversely impacted the consumer spending and the real estate market, although policies were there to stimulate broader property demand. However, the project company of the Dongguan project has taken strategic price adjustment based on deep-dive competitor analyses to quickly respond to market and meet the sales target.

For the Dongguan Project, as at the end of the Period, the project progress are summarized as follows:

- the project has been completed and the acceptance certificates were granted in July 2022;
- a total gross floor area of 19,099 square meters with amount of approximately RMB662,080,492 has been sold;
- about 82% of total 242 residential units have been sold.

The name of the Nanjing Project called Spring Breeze\* (“泉悦春风”), located at Naishan ecological scenic area, Long Pao New City, Jiangbei New Area, Nanjing. The Nanjing Project is a large-scale property development project comprises three phases which include the development of low-rise comprehensive residential units, commercial buildings, hotels and other ancillary facilities covering a total gross floor area of approximately 340,000 sq.m. Although the Nanjing Project Company had already obtained the pre-sale permits and launched the pre-sale of residential units covering a total GFA of approximately 43,464 sq.m., since August 2022, due to a funding shortage and the adverse impact of Covid-19 pandemic, the construction work of the first phase of the project was suspended. The project company for the Nanjing Project, Nanjing Yuanding Real Estate Co. Ltd. (南京源鼎置業有限公司) (the “**Nanjing Project Company**”), has not yet commenced the construction of the remaining phases of the project.

For the Nanjing Project, as of the end of the Period, the project progress can be summarized as follows:

- Contracts have been signed for 29 units (gross floor area of 4,573.48 square meters with amount of approximately RMB108,107,900);
- 39 units have been subscribed (gross floor area of 6,249.13 square meters with amount of approximately RMB140,420,100);
- The cover of the first phase residential units have been completed by 90%;
- the construction of the main entrance landscape, hot spring experience area, sample house and landscape has been completed.

During the Period, the secured bank loans (amounted to HK\$353,516,000 as at 31 December 2022) of the Nanjing Project Company was not repaid when fell due. The loan is fully secured by the pledged assets and the Group has been actively negotiating with the bank on a new repayment plan. It is expected that an extension agreement is likely to be reached between the bank and the Nanjing Project Company by 30 June 2023.

### ***Update on the proposed commercial development at Port Dickson, Malaysia***

The development plan of the proposed commercial development at Port Dickson, Malaysia has been submitted to the relevant government agencies for approval and the part of the plan that related to the building of berths has already been approved and completed. Malaysia was affected by Covid-19 pandemic and had been under lock down or different degree of movement control order (MCO) had been applied. The local management has applied for extension of planning approval and obtained from the Planning Department, for the proposed project that includes open parking, sales gallery, hotel, show units, retails, event space, glamping site and outdoor garden. In August 2021, submission of earthwork was made to the Engineering Department of Port Dickson Municipal Council. As the Covid-19 restrictions have been eased in early 2023, the project operations are expected back to normalcy on a gradual pace, and the local management has been working closely with government agencies on various aspects of the project.

### ***Prospect***

Looking ahead to the first half of 2023, the global economic growth is expected to be a sluggish pace in the face of elevated inflation, higher interest rates, reduced investment, and disruptions caused by the Russia-Ukraine war. However, as China has ended most Covid-19 restrictions on business activity since December 2022 and the global pandemic subsides gradually, consumer spending will remain resilient and the long-term positive fundamentals are likely to be maintained. Despite global economic headwinds, the Group will continue to proactively seize market opportunities, optimise the revenue structure, and improve productivity and operational efficiency for a better financial outcome.

### ***Healthcare and household products business***

The Group is optimistic in the outlook for the healthcare and household products business for the six months ending 30 June 2023 and beyond. The Group is expecting the sales of approximately HK\$145 million to HK\$155 million for 2023 with sales growth mainly driven by new product innovations and retailer private labeling. While the sales of the traditional powered kids toothbrush products will return to the pre-Covid-19 level in 2023, the powered oral care private label program is growing rapidly with sales projection approaching HK\$70 million. New adult electric toothbrushes were in full scale production in Q3 & Q4 2022 and with a sales projection of approximately HK\$50 million from Walmart, CVS and other chain retailers in 2023. The new kids smart-interactive electrical toothbrush has its initial debuts in multiple U.S. major retailers in early 2023, and orders are expected to increase significantly for the year 2023. Currently, one of the Group's long-term partners is working on a program with one of the largest major U.S. retailers. The program will cover full-range of powered toothbrush products and is expected to bring considerable sales to the Group. The kids electric toothbrush ordered from a major U.S. oral care customer is targeting the brand new "mid-tier" market segment and launching into an American multinational retail corporation in Q1 2023 with a sales projection approximately HK\$14.5 million in 2023. The Group will continue to expand resources in the research and development capabilities in coping with increasing technical needs from its customers and to be able to stay on top of the competition. In countering the swinging manufacturing costs, the Group continues to adopt revolutionary production designs, gear for automation in production optimizing greatest cost efficiency in output and quality.

### ***Money lending business***

The Group will keep monitoring the repayment schedules of the existing loans and interests receivables. In view of the recent market sentiment, the Group does not expect further growth in its money lending business for the six months ending 30 June 2023.

### ***Primary land development and property development business***

China's property market and construction are expected to pick up momentum in the first half of 2023, after the lifting of Covid-19 restrictions in late 2022 and the release of funds to developers for ensuring delivery of pre-sold properties. Upholding the principle of "houses for living in, not speculation", a series of measures were implemented in 2022 to further lower the curbs of homebuying, including mortgage rate cut, ease of down payment requirement, homebuying subsidy offers, removal of homebuying restrictions, etc. The government's ever-widening policy support since late 2022 is projected to generate higher housing demand and revitalise the real estate industry as well as the Nanjing and Donguan Projects in 2023.

As addressed in the Luanping County's 2023 Government Work Report, Luanping County will take the initiative to reach out for high-quality social capital and promote new business models that are supported by EOD and other surrounding major infrastructure projects. Looking forward, Luanping EOD pilot project will attract huge infrastructure investment funds to Luanping County, thereby facilitating the government's refund of Luanping Project's early investment and resolving Luanping Project's cashflow issues. At the same time, Luanping project will also have other source of income instead of relying on the land sale sharing model of the past.

### ***Liquidity and Financial Resources***

#### ***Cash position***

As at 31 December 2022, the Group had cash and bank deposits of approximately HK\$104,896,000 (30 June 2022: HK\$167,450,000) with a foreign currency deposits denominated in Renminbi amounted to approximately HK\$87,562,000 (30 June 2022: HK\$159,987,000).

### ***Current ratio***

As at 31 December 2022, the Group had net current liabilities of approximately HK\$98,831,000 (net current assets at 30 June 2022: HK\$147,721,000) and current ratio (being current assets over current liabilities) of 0.96 (30 June 2022: 1.05).

### ***Debts and borrowings***

As at 31 December 2022, the Group had total debts and borrowings of approximately HK\$1,393,981,000 (30 June 2022: HK\$1,522,014,000) which mainly comprised of shareholder loan, unsecured loan from financial institutes and secured bank loan.

### ***Gearing ratio***

The Group's gearing ratio being total debt and borrowings over total equity is 151.3% (30 June 2022: 149.9%).

### ***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 profile of the Group's borrowings is mainly at fixed rates. The Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group does not hedge against interest rates risk as the management does not foresee the impact of any fluctuation in interest rates to be material to the Group.

### ***Fund raising activities***

The Group has not conducted any fund raising activities in the Period.

### ***Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries***

The Company intended to dispose the Disposal Group during the Period. For details of the Disposal, please refer to the paragraph headed "Termination of the very substantial disposal" below.

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

### ***Employees and Remuneration Policy***

As at 31 December 2022, the Group had 20 employees (as at 30 June 2022: 20) in Hong Kong, 634 employees (as at 30 June 2022: 788) in the PRC and 1 employee (as at 30 June 2022: 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.

### **IMPORTANT EVENTS AFTER THE END OF THE PERIOD**

#### ***Termination of the very substantial disposal***

Reference is made to (i) the announcement of the Company dated 24 September 2021 and the circular of the Company to the Shareholders dated 12 November 2021 (the “**Circular**”) in relation to the proposed disposal (the “**Disposal**”) by the Company of the entire issued capital of Hong Kong Zhongzheng City Investment Limited, which is a wholly-owned subsidiary holding the Luanping Project, Nanjing Project and Dongguan Project; (ii) the announcement of the Company dated 30 June 2021 in relation to the extension of the long stop date for the fulfillment or waiver (as the case may be) of the conditions precedent to the completion of the Disposal; (iii) the announcements of the Company dated 28 February 2022, 31 May 2022, 15 June 2022, 30 June 2022, 29 July 2022, 1 September 2022, 30 September 2022 and 30 November 2022, respectively, in respect of, among others, due fulfillment of the conditions precedent to completion and extensions of the completion Date; (iv) the announcement of the Company dated 24 October 2022 in respect of, among other things, the cancellation of a RMB200,000,000 promissory note which was part of the consideration for the Disposal (the “**October 2022 Announcement**”); and (v) the announcement of the Company dated 7 January 2023 in relation to the termination of the Disposal (the “**Termination Announcement**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular and the Termination Announcement.

On 28 February 2022, all conditions precedent to the Disposal were fulfilled. However, the completion date had been extended by the parties at the request the buyer to the Disposal for a total of eight times by supplemental agreements and extension letters. The last agreed completion date was extended to 7 December 2022.

As disclosed in the October 2022 Announcement, in the circumstances and to mitigate the possible adverse impact on the Group arising from the prolonged extension of completion date, as at the date of the October 2022 Announcement, the holder of such promissory note had already irrevocably and unconditionally agreed to (i) waive all its rights and claims against the Company under the said promissory note and to deliver it to the Company for cancellation; and (ii) waive all its rights and claims against the Company for all the accrued interest (including default interest, if relevant) payable by the Company in relation to the said promissory note.

On 7 December 2022, the counterparties to the Disposal still failed to proceed to Completion and no further supplemental agreement had been successfully reached by the parties. On 3 January 2023, the Company announced the termination of the Disposal, that the Disposal would not proceed and that the instrument relating to the said promissory note is no longer a valid instrument.

As a result of the termination of the Disposal, Hong Kong Zhongzheng City Investment Limited and its subsidiaries remain as members of the Group and the financial results of the Disposal Group would continue to be consolidated into the financial statements of the Group.

#### ***Recoverability of an outstanding other receivable of HK\$86.4 million***

As disclosed in the announcement of the Company dated 27 February 2023, the Company failed to reach a settlement plan with the counterparty in respect of an outstanding other receivable of HK\$86.4 million. The Company has commenced legal proceedings to recover the outstanding other receivable. As at the date of this announcement, the outcome of the legal actions is dependent on the court procedures.

Save as disclosed above, there are no important events affecting the Group which have occurred after the end of the Period and up to the date of this announcement.

#### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the section headed “Prospect” in this announcement, there were no other future plans for material investments or acquisition of capital assets as at 31 December 2022.

#### **INTERIM DIVIDENDS**

The Board does not recommend any dividend for the Period (the six months ended 30 June 2021: Nil).

#### **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 Period.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the Period.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Period, with the exception for Provision A.4.1 which provides that non-executive Directors should be appointed for a specific term and subject to re-election. None of the independent non-executive Directors of the Company is appointed for a specific term but all are subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As Directors' appointment will be reviewed when they are due for re-election, the Company is of the view that this meets the same objectives of the said code provision.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, all being the independent non-executive Directors. Mr. Li Hon Kuen is the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Code.

The Audit Committee has reviewed the unaudited interim financial statements for the Period. The unaudited interim financial statements for the Period were approved and authorised for issue by the Board on 5 May 2023.

## **DISCLOSURE OF INFORMATION**

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>) and the website of the Company. The interim report of the Company for the six months ended 31 December 2022, containing all the information required by Appendix 16 to the Listing Rules, will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

## **RESUMPTION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 October 2022 at the request of the Company. As all the conditions as set out in the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 8 May 2023 on the Stock Exchange. For details of the fulfilment of resumption conditions, please refer to a separate announcement published by the Company on 5 May 2023.

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

Hong Kong, 5 May 2023

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Leung Chung Shan, Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, and Mr. Qiu Qing; 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*