

Zhongzheng International Company Limited

(Incorporated in Bermuda with Limited Liability)
(Stock Code : 943)

2023 | *Interim
Report*



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	Notes	Six months ended	
		31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Revenue		745,823	44,153
Interest revenue		653	2,418
Total revenue	4	746,476	46,571
Cost of sales		(548,344)	(39,768)
Gross profit		198,132	6,803
Other income and other gains and losses	5	10,926	1,360
Selling and distribution expenses		(9,796)	(12,107)
Administrative expenses		(57,760)	(77,990)
Profit/(loss) from operations		141,502	(81,934)
Share of results of associates		(24,714)	(28,304)
Finance costs	6	(30,076)	(16,844)
Profit/(loss) before tax		86,712	(127,082)
Income tax expense	7	(134,249)	(3)
Loss for the period	8	(47,537)	(127,085)
Loss for the period attributable to:			
Owners of the Company		(34,736)	(116,308)
Non-controlling interests		(12,801)	(10,777)
		(47,537)	(127,085)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	Notes	Six months ended	
		31 December 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Loss for the period		(47,537)	(127,085)
Other comprehensive (loss)/income:			
<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		(29,804)	(16,461)
Other comprehensive loss for the period, net of tax		(46,660)	(22,774)
Total comprehensive loss for the period		(94,197)	(149,859)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(81,396)	(139,082)
Non-controlling interests		(12,801)	(10,777)
		(94,197)	(149,859)
Loss per share	10		
Basic (cents per share)		(0.32)	(1.08)
Diluted (cents per share)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2022*

		At 31 December 2022	At 30 June 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
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
		<u>1,103,168</u>	<u>1,162,350</u>
Current assets			
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	15	104,896	167,450
		<u>2,313,170</u>	<u>2,959,724</u>
Current liabilities			
Trade and other payables	16	(676,740)	(1,255,242)
Promissory note	17	(223,175)	(234,484)
Lease liabilities		(1,892)	(4,613)
Borrowings	18	(1,079,044)	(1,021,135)
Shareholders loans	19	(290,600)	(290,600)
Current tax liabilities		(140,550)	(5,929)
		<u>(2,412,001)</u>	<u>(2,812,003)</u>
Net current (liabilities)/assets		<u>(98,831)</u>	<u>147,721</u>
Total assets less current liabilities		<u>1,004,337</u>	<u>1,310,071</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2022*

		At 31 December 2022	At 30 June 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		(7,169)	(6,125)
Borrowings	18	(24,337)	(210,279)
Deferred tax liabilities		(51,471)	(78,110)
		(82,977)	(294,514)
NET ASSETS		921,360	1,015,557
Capital and reserves			
Share capital	20	429	429
Reserves		908,122	989,518
Equity attributable to owners of the Company		908,551	989,947
Non-controlling interests		12,809	25,610
TOTAL EQUITY		921,360	1,015,557

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2022*

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Foreign	Warrant reserve	Other reserve	Property	Accumulated losses	Total	Non-controlling interests	Total
				currency translation reserve			revaluation reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021 (Audited)	429	878,200	626,537	(16,509)	24,226	33,251	40,204	(202,345)	1,383,993	40,900	1,424,893
Return of capital to non-controlling shareholders (Unaudited)	-	-	-	-	-	-	-	-	-	(493)	(493)
Total comprehensive loss for the period (Unaudited)	-	-	-	(22,774)	-	-	-	(116,308)	(139,082)	(10,777)	(149,859)
At 31 December 2021 (Unaudited)	<u>429</u>	<u>878,200</u>	<u>626,537</u>	<u>(39,283)</u>	<u>24,226</u>	<u>33,251</u>	<u>40,204</u>	<u>(318,653)</u>	<u>1,244,911</u>	<u>29,630</u>	<u>1,274,541</u>
At 30 June 2022 (Audited)	429	878,200	626,537	(67,487)	24,226	33,251	44,653	(549,862)	989,947	25,610	1,015,557
Total comprehensive loss for the period (Unaudited)	-	-	-	(46,660)	-	-	-	(34,736)	(81,396)	(12,801)	(94,197)
At 31 December 2022 (Unaudited)	<u>429</u>	<u>878,200</u>	<u>626,537</u>	<u>(114,147)</u>	<u>24,226</u>	<u>33,251</u>	<u>44,653</u>	<u>(584,598)</u>	<u>908,551</u>	<u>12,809</u>	<u>921,360</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 December 2022*

	Six months ended	
	31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Unaudited)
Net cash generated from operating activities	15,337	65,784
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,756)	(389)
Proceeds from disposal of property, plant and equipment	92	85
Change in amounts due from associates	43,889	(81,026)
Net cash generated from/(used in) investing activities	42,225	(81,330)
Cash flows from financing activities		
New borrowings	20,778	521,274
Capital refunded to non-controlling interest	–	(493)
Repayment of borrowings	(91,219)	(123,383)
Repayment of shareholders loans	–	(111,046)
Repayment of lease liabilities	(4,571)	(6,344)
Interests paid	(10,691)	(27,996)
Net cash (used in)/generated from financing activities	(85,703)	252,012
Net (decrease)/increase in cash and cash equivalents	(28,141)	236,466
Cash and cash equivalents at the beginning of the period	167,450	177,095
Effect of changes in foreign exchange rate	(34,413)	5,089
Cash and cash equivalents at the end of the period	104,896	418,650
Analysis of cash and cash equivalents		
Bank and cash balances	104,896	418,650

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 (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 period beginning on 1 July 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***4. REVENUE AND SEGMENT INFORMATION**

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

	Property development <i>HK\$'000</i>	Primary land development <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Coal mining business <i>HK\$'000</i>	Healthcare and household business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period ended 31 December 2022: (Unaudited)						
Revenue	632,606	–	653	–	113,217	746,476
Segment (loss)/profit	114,820	(22,291)	642	(484)	11,414	104,101
As at 31 December 2022: (Unaudited)						
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
Period ended 30 June 2021: (Unaudited)						
Revenue	–	–	2,418	–	44,153	46,571
Segment (loss)/profit	(55,305)	(10,189)	2,508	(426)	(15,891)	(79,303)
As at 30 June 2021: (Unaudited)						
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***4. REVENUE AND SEGMENT INFORMATION (Continued)**

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***4. REVENUE AND SEGMENT INFORMATION (Continued)****Disaggregation of revenue from contracts with customers**

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***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	(644)	(27,422)
	<u>30,076</u>	<u>16,844</u>

7. INCOME TAX EXPENSE

	Six months ended	
	31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***7. INCOME TAX EXPENSE (Continued)**

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)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***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

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

The details of the associates are summarised as follows:

Name	Principal place of business/ countries of incorporation	% of ownership interest	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
				1,021,186	1,075,705

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***13. TRADE AND OTHER RECEIVABLES**

The trade and other receivable included trade receivables of approximately HK\$47,776,000 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
	47,776	51,323

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:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***15. BANK AND CASH BALANCES**

The Group's bank and cash balances are denominated in the following currencies:

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
RMB	87,562	159,987
Hong Kong Dollar	2,290	5,749
US Dollar	15,022	1,566
Other currencies	22	148
	104,896	167,450

As at 31 December 2022, the bank and cash balances of the Group denominated in RMB amounted to approximately HK\$87,562,000 (30 June 2022: approximately HK\$159,987,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations. The bank and cash balances of approximately HK\$81,159,000 (30 June 2022: approximately HK\$146,311,000) are restricted in use and secured for the mortgage loans applied by the customers and will be released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans.

16. 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:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***17. 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 (“PN”) with a principal amount of approximately HK\$223,175,000 (RMB200,000,000) as a part of the settlement of the consideration.

As disclosed in the announcement of the Company dated 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***18. BORROWINGS**

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Secured bank loans	377,854	417,776
Secured other loans	11,427	58,621
Unsecured other loans	714,100	755,017
	1,103,381	1,231,414
Analysed for reporting purposes as:		
– Non-current liabilities	24,337	210,279
– Current liabilities	1,079,044	1,021,135
	1,103,381	1,231,414
The Group's borrowings at the end of the reporting period were denominated in the following currencies:		
– RMB	1,081,001	1,209,034
– Hong Kong Dollar	22,380	22,380
	1,103,381	1,231,414

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***18. BORROWINGS (Continued)**

The Group's borrowings at the end of the reporting period were repayable as follows:

	Bank Borrowings		Other Borrowings	
	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
– Within one year or on demand	353,516	207,497	725,527	813,638
– More than one year, but not exceeding two years	5,088	207,289	–	–
– More than two years, but not exceeding five years	19,249	2,990	–	–
	377,853	417,776	725,527	813,638

The secured bank loans represent loans which are secured by (i) individual and corporate guarantees of the related parties of certain subsidiaries; (ii) corporate guarantee of a subsidiary of the Company; (iii) 51% shareholding of a subsidiary; and (iv) certain land use rights. The loans are arranged at floating rate ranging from 5.75% to 7.50% and a fixed interest rate at 6.50%.

The secured other loans represent loans which are secured by the corporate guarantee provided by a creditor and a subsidiary of the Company, at a fixed rate ranged from 9.8% to 16% per annum.

The unsecured loans represent loans which are interest bearing at a range from 2.2% to 18% per annum and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 31 December 2022***19. SHAREHOLDERS LOANS**

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Loans from Shareholders	290,600	290,600
Analysed for reporting purposes as:		
– Current liabilities	290,600	290,600

The shareholders loans are unsecured, interest bearing at 2.2% to 5.0% per annum and repayable on demand.

20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
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
	Number of shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.00004 each: At 30 June 2022 (Audited) and 31 December 2022 (Unaudited)	10,721,666,832	429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

21. 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).

22. 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.

23. 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 pre-sale payments 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

The Group has been manufacturing and trading healthcare and household products such as electrical toothbrushes and hair trimming devices. The finished products are exported to international markets, including but not limited to, the United States of America, Germany, France, United Kingdom, Japan and Hong Kong. The finished products are also sold in the PRC. The healthcare and household business contributed the major revenue source of the Group.

The healthcare and household business is operated by a subsidiary of the Company, Fairform Manufacturing Company Limited (“Fairform”), which is one of the PRC’s largest manufacturers of powered oral care products. It is also engaged in the production of hair trimming products. Fairform has been partnering with global brands and PRC brands as an original equipment manufacturer (“OEM”) and a manufacturer of private label products. In the OEM model, Fairform produces the products according to the exact specifications (e.g. design, materials, technique, etc.) required by the customer. In the private label model, Fairform takes charge of the production process and sells the finished products to the brands which rebrand and market them as their own.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business overview

The Group has been providing financing solutions and loan services to borrowers, including individuals, small and medium-sized enterprises (SMEs) and microenterprises, with practical and flexible terms to support their sustainable development and address their ongoing financing needs. However, in view of the recent market sentiment and the fading performance of the business segment, the Group does not expect further growth in its money lending business and will not grant any new loans for the six months ending 30 June 2023.

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 principal amount of the outstanding loans was approximately HK\$49,291,000 (as at 30 June 2022: HK\$49,291,000). The total loan receivables were approximately HK\$17,623,000 (as at 30 June 2022: HK\$17,623,000) after netting of a discounting effect of approximately HK\$3,315,000 (as at 30 June 2022: HK\$3,315,000) and impairment allowance of approximately HK\$28,353,000 (as at 30 June 2022: HK\$28,353,000).

The Group currently has only six borrowers in the money lending business and the borrowers are primarily from (i) the gold mining and trading industry, (ii) equity investment industry, (iii) procurement technology industry, and (iv) industrial investment industry. The borrowers were solicited through the assignment of a dedicated person to engage clients and through direct approaches from clients.

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (30 June 2022: 6 to 12 months), with interest rates ranging from 7% – 24% per annum (30 June 2022: 7% – 24% per annum), depending on the individual credit evaluations of the borrowers. The loan principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk management

The Group has established relevant mechanism to cover credit risk in key operational phases of the money lending business, including pre-approval assessment, credit approval, and post-loan management.

The Group's pre-approval assessment procedures generally include background checks on the potential borrowers, understanding of the potential borrowers' business operations, reviewing the potential borrowers' business documents such as the financial statements and constitution documents, and evaluating the borrowers' repayment ability through their leverage levels, liquidity conditions, collateral value (if any), etc.

Upon the satisfaction of the pre-approval assessment, the Group will determine the loan terms which include the interest rates, loan tenures, guarantees (if any), etc. All loan applications are subject to the assessment and approval of the Group's manager of the money lending segment and the Group's Chairman, Deputy Chairman, and Executive Director.

During the post-loan management, the Group conducts on-site inspections and off-site inquiries to detect potential credit risks by evaluating various aspects such as the borrowers' operational and financial conditions, status of collaterals (if any) and other sources of repayment.

Loan portfolio by size under the money lending business

The following table sets forth the distribution of the principal amount of the Group's outstanding loans under the money lending business and the number of borrowers by size as at the dates indicated:

	31 December 2022			30 June 2022		
	<i>Number of borrowers</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of borrowers</i>	<i>HK\$'000</i>	<i>%</i>
Principal amount of outstanding loans:						
Up to HK\$5,000,000	2	8,000	16.2	2	8,000	16.2
Over HK\$5,000,000 to HK\$10,000,000 (inclusive)	3	21,500	43.6	3	21,500	43.6
Over HK\$10,000,000	1	19,791	40.2	1	19,791	40.2
Total	6	49,291	100.0	6	49,291	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Loan portfolio by security under the money lending business

The Group's loans receivables under the money lending business consist of unsecured loans and collateral-backed loans. The following table sets forth the loan portfolio by security as at the dates indicated:

	31 December 2022		30 June 2022	
	HK\$'000	%	HK\$'000	%
Principal amount of outstanding loans:				
Unsecured loans	46,291	93.9	46,291	93.9
Collateral-backed loan – property ownership right	3,000	6.1	3,000	6.1
Total	49,291	100.0	49,291	100.0

Maturity profile of loan portfolio under the money lending business

The following table sets forth the maturity profile of the Group's loans under the money lending business based on the contractual maturity date of the principal amount as of the dates indicated:

	31 December 2022		30 June 2022	
	HK\$'000	%	HK\$'000	%
Principal amount of outstanding loans:				
Past due	49,291	100.0	24,500	49.7
Due within three months	–	–	24,791	50.3
Total	49,291	100.0	49,291	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

The assessment of impairment losses

According to the HKFRS 9, the Group measures the expected credit losses (ECLs) of the advanced loans are performed under a three-stage basis:

- Stage 1: For loans that are not credit-impaired on initial recognition, the ECLs are measured on a 12-month basis (12-month ECLs);
- Stage 2: For loans that have experienced a significant increase in credit risk since initial recognition but are not yet subject to credit-impairment, the ECLs are measured on a lifetime basis (lifetime ECLs non credit-impaired); and
- Stage 3: For loans that are in default and considered credit impaired, the ECLs are measured on a lifetime basis (lifetime ECLs credit-impaired).

Based on the limited volume of the advanced loans under the Group's money lending business, the impairment losses of the loans and interests receivables are assessed individually. As there have been a significant increase in credit risk with the occurrence of default events as of the date of this report, lifetime ECLs were recognised for the advanced loans. The management believed that the loans and interests receivables amounted to approximately HK\$33,794,000 were considered as high risk of default and the impairment losses of approximately HK\$30,628,000 had been recognised during the eighteen months ended 30 June 2022.

In October 2020, a bankruptcy order was made by the High Court to one borrower with an outstanding loan principal of HK\$3,000,000 and full impairment of this principal was recorded in 2020. Impairment losses were also recognised for the accrued interest receivables. As such, an impairment loss of approximately HK\$1,200,000 had been recognised for the interest receivables accrued during the eighteen months ended 30 June 2022.

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 had been recognised for loan and interest receivables, respectively, for the eighteen months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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. As such, a discounting effect of HK\$3,672,000 arising from remeasuring the present value of the balances had been recognised in other losses during the eighteen months ended 30 June 2022. Also, the impairment losses of approximately HK\$7,057,000 had been recognised for the loan and interest receivables during the eighteen months ended 30 June 2022. 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 report. An impairment loss of approximately HK\$4,498,000 had been recognised for the loan and interest receivables during the eighteen months ended 30 June 2022.

Coal mining business

As disclosed in the annual report 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.

Land and property development projects

The Group engages in primary land development in Luanping County, Hebei Province, the PRC and property development projects located in Nanjing City and Dongguan City, the PRC. Having considered the tightening property industry environment and the uncertainty of the PRC property market, as well as the status quo that brought pressure on the cashflows and financial resources of the Group, the Group does not plan to develop new land or property projects in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Dongguan Project Company (Dongguan Hexin Real Estate Development Co., Ltd., or 東莞禾信房地產開發有限公司) has commenced the pre-sale of the residential units since November 2020. It planned to commence the pre-sale of commercial units and car parking lots after selling all residential units. Given that the project is located at a prime area of Dongguan City, the management had expected that all saleable GFA of the projects (including residential units, commercial units and car parking lots) would have been sold in the first half of 2021. However, only 70.7% of the total GFA of the residential units were sold as of 30 June 2021 due to the tightening real estate regulations and market and the resurgence of Covid-19 pandemic.

In view of this situation, the project company shifted from offline sales strategies, such as outreaching from core business districts, expanding the group purchasing, and targeted marketing in communities to digital sales strategies implemented through several major digital realty marketplaces, including online promotion and customer acquisition, electronic wallscape advertising and community advertising, and online customer onboarding. The digital strategies allowed the project company to break through reach limitations and respond to market demands in quicker manners, leading to further sales during the second half of 2021 and 2022. In order to maintain a competitive advantage, the project company has also taken strategic price adjustment based on deep-dive competitor analyses in the second half of 2022.

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

- the construction of the project has been completed and the acceptance certificates were granted in July 2022;
- since the revenue recognition criteria were met, the project recognised revenue of approximately HK\$632,606,000 for the Period from the pre-sale payments;
- a total gross floor area of 19,099 square meters with amount of approximately RMB662,080,492 has been sold;
- about 82.2% of total 242 residential units have been sold.

MANAGEMENT DISCUSSION AND ANALYSIS

The Nanjing Project is called Spring Breeze* (“泉悦春風”) and 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 and includes the development of low-rise comprehensive residential units, commercial buildings, hotel and other ancillary facilities covering a total gross floor area of approximately 340,000 sq.m. Nanjing Project Company (Nanjing Yuanding Real Estate Co., Ltd., or 南京源鼎置業有限公司) has commenced the pre-sale of phase- one residential units of the project covering a total GFA of approximately 43,464 sq.m. since June 2020.

The project company’s comprehensive marketing strategies were both online and offline. The online advertisements were delivered through major real estate desktop and mobile platforms, WeChat media platform, etc. The offline marketing and promotion included, but were not limited to, advertisements on billboards and digital screens in subway stations and communities. With these measures, 38 units had been signed in contracts with amount of approximately RMB136,406,000 as of 30 June 2022.

However, 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 since August 2022. The sales were also stagnant with only one unit signed in contract during the Period. The project company has not yet commenced the construction of the remaining phases of the project as at the date of this report.

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

- 29 units have been subscribed (gross floor area of 4,573.48 square meters with amount of approximately RMB108,107,900);
- 39 units have been signed in contracts (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 certain land use rights, 100% equity interest of the Nanjing Project Company (the Company holds 51% of the equity interest through its subsidiary), and a joint and several liability guarantee executed by the Company’s subsidiary. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 major 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and will not grant any new loans 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.

Despite the abovementioned positive factors, having considered the tightening property industry environment and the uncertainty of the PRC property market, as well as the status quo that brought pressure on the cashflows and financial resources of the Group, the Group does not plan to develop new land or property projects in the foreseeable future.

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the audit committee (the “Audit Committee”) with written terms of reference in compliance with the applicable Listing Rules and code provisions of the Corporate Governance Code. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Li Hon Kuen, Mr. Leung Chi Hung, and Mr. Hau Chi Kit, and is chaired by Mr. Li Hon Kuen who possesses the qualification of professional accountant.

The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and practices of the Group and to make recommendation to the Board for the appointment, reappointment or removal of the external auditor.

The Audit Committee has reviewed and discussed with the management the unaudited interim financial statements and the interim report for the six months ended 31 December 2022. The unaudited interim financial statements and the interim report for the six months ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 5 May 2023.

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).

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, except for Mr. Leung Chung Shan, the chairman and executive Director of the Company, Mr. Lim Kim Chai, the non-executive Director of the Company and Mr. Qiu Qing, an executive Director and the CEO of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

OTHER INFORMATION

The interests of Mr. Leung Chung Shan, Mr. Lim Kim Chai and Mr. Qiu Qing in shares of the Company as at 31 December 2022 was disclosed in the section titled “Substantial Shareholders’ and Other Persons Interests and Short Positions in Shares and Underlying Shares.”

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders’ special general meeting on 31 August 2015 (“Share Option Scheme 2015”). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company’s circular on 14 August 2015. No share options were granted or exercised during the six months ended 31 December 2022 under Share Option Scheme 2015.

The total number of securities available for issue under the Share Option Scheme 2015 is 96,186,832 shares, which represents 0.90% of the issued shares as at the date of the interim report.

The maximum entitlement of each participant under the Share Option Scheme 2015 in any 12-month period shall not exceed 1% of the issued shares for the time being.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

* *For identification purpose only*

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of substantial shareholders in the shares and underlying shares

Name of shareholders	Capacity	Number of shares held	Approximate % of shareholding ¹
Leung Chung Shan ²	Beneficial owner	4,233,534,634	39.48%
Shek Ying ³	Interest of spouse	4,233,534,634	39.48%
Lim Kim Chai, <i>J.P.</i> ⁴	Beneficial owner	1,569,420,951	14.64%
Qiu Qing ^{5,6}	Beneficial owner	1,259,861,773	11.75%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳市天基南聯投資合夥企業(有限合夥) ("TJNL")	Interest of controlled corporation	1,259,861,773	11.75%
Hong Kong Zhongzheng Investment Co. Ltd.	Interest of controlled corporation	1,259,861,773	11.75%
CITIC Securities CO., Ltd. ⁷ ("CITIC")	Interest of controlled corporation	678,387,108	6.33%

OTHER INFORMATION

Notes

1. Based on 10,721,666,832 shares of the Company in issue as at 31 December 2022.
2. Mr. Leung Chung Shan is the chairman and executive Director of the Company.
3. Ms. Shek Ying, being the spouse of Mr. Leung Chung Shan, is deemed to be interested in Mr. Leung Chung Shan's interest in the Company by virtue of the SFO.
4. Mr. Lim Kim Chai, *J.P.* is the non-executive Director of the Company.
5. The 1,259,861,773 shares which were deemed to be interested by Mr. Qiu Qing were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% interest in TJNL.
6. Mr. Qiu Qing is the executive Director of the Company.
7. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd*.

Save as disclosed above, as at 31 December 2022, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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 six months ended 31 December 2022.

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 six months ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the six months ended 31 December 2022.

OTHER INFORMATION

It was disclosed in the paragraph headed “Corporate Governance Code” in the Interim Results Announcement of the Company for the six months ended 31 December 2022 (the “Interim Results Announcement”) dated 5 May 2023, the Company was not in compliance with Code Provision A.4.1 of the Code for having none of the independent non-executive directors of the Company appointed for a specific term. The Company would like to clarify that the provision which required issuers to appoint non-executive directors for a specific term has been removed, effective from 1 January 2022. Therefore, the Company has already complied with all requirements as set out in the Code contained in Appendix 14 of the Listing Rules.

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

Hong Kong, 5 May 2023

As at the date of this report, 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.