

# Zhongzheng International Company Limited

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

## Interim Report 2020

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## INDEPENDENT REVIEW REPORT



### TO THE BOARD OF DIRECTORS OF ZHONGZHENG INTERNATIONAL COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

#### INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 24 which comprises the condensed consolidated statement of financial position of Zhongzheng International Company Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

#### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

Li Chi Hoi

Practising Certificate Number P07268

Hong Kong, 21 August 2020



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

*For the six months ended 30 June 2020*

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Revenue		72,726	94,472
Interest revenue		2,489	8,004
<b>Total revenue</b>	4	<b>75,215</b>	102,476
Cost of sales		<b>(52,484)</b>	(67,113)
<b>Gross profit</b>		<b>22,731</b>	35,363
Other income		4,177	393
Selling and distribution expenses		<b>(1,346)</b>	(1,358)
Administrative expenses		<b>(50,984)</b>	(37,255)
<b>Loss from operations</b>		<b>(25,422)</b>	(2,857)
Net loss on fair value changes on investments at fair value through profit or loss		<b>(351)</b>	(12,130)
Gain on bargain purchase	18	42,765	102,508
Loss on disposal of a subsidiary		<b>(170)</b>	–
Share of results of associates		<b>(24,919)</b>	(17,230)
Finance costs	5	<b>(10,282)</b>	(14,356)
<b>(Loss)/profit before tax</b>		<b>(18,379)</b>	55,755
Income tax expense	6	–	(404)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(18,379)</b>	55,351
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	(14,581)
<b>(Loss)/profit for the period</b>	7	<b>(18,379)</b>	40,770
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company			
From continuing operations		<b>(13,993)</b>	55,844
From discontinued operations		–	(14,158)
		<b>(13,993)</b>	41,686

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Non-controlling interests		
From continuing operations	(4,386)	(493)
From discontinued operations	—	(423)
	<u>(4,386)</u>	<u>(916)</u>
	<u>(18,379)</u>	<u>40,770</u>
<b>(Loss)/profit for the period</b>	<u>(18,379)</u>	<u>40,770</u>
<b>Other comprehensive (expense)/income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Release of exchange differences on disposal of subsidiaries	—	6,908
Exchange differences on translating foreign operations	(3,533)	1,596
	<u>(3,533)</u>	<u>8,504</u>
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<u>(3,533)</u>	<u>8,504</u>
<b>Total comprehensive (expense)/income for the period</b>	<u>(21,912)</u>	<u>49,274</u>
<b>Total comprehensive (expense)/income for the period attributable to:</b>		
Owners of the Company	(17,526)	50,190
Non-controlling interests	(4,386)	(916)
	<u>(21,912)</u>	<u>49,274</u>





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

*For the six months ended 30 June 2020*

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>(Loss)/earnings per share</b>	9		
From continuing and discontinued operations			
Basic (cents per share)		<b>(0.13)</b>	0.40
Diluted (cents per share)		N/A	N/A
From continuing operations			
Basic (cents per share)		<b>(0.13)</b>	0.53
Diluted (cents per share)		N/A	N/A
From discontinued operations			
Basic (cents per share)		–	(0.13)
Diluted (cents per share)		N/A	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2020*

	<i>Notes</i>	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2019 HK\$'000 (Audited)</b>
<b>Non-current assets</b>			
Exploration and evaluation assets		142,000	142,000
Property, plant and equipment	10	59,962	62,959
Right-of-use assets		3,245	6,691
Interests in associates	11	1,143,965	1,170,328
		<b>1,349,172</b>	<b>1,381,978</b>
<b>Current assets</b>			
Inventories		24,239	30,315
Properties under development for sale		1,301,337	–
Trade and other receivables	12	246,245	150,145
Investments at fair value through profit or loss		–	870
Loans and interests receivables	13	59,458	44,317
Amount due from an associate		21,881	49,750
Current tax assets		935	936
Bank and cash balances		337,080	166,852
		<b>1,991,175</b>	<b>443,185</b>
<b>Current liabilities</b>			
Trade and other payables	14	(100,380)	(92,383)
Promissory note		(219,032)	–
Amount due to an associate	11	(232,721)	–
Lease liabilities		(2,847)	(6,226)
Borrowings	15	(667,381)	(619)
Shareholders loans	16	(306,304)	(230,000)
Current tax liabilities		(5,766)	(5,798)
		<b>(1,534,431)</b>	<b>(335,026)</b>
<b>Net current assets</b>		<b>456,744</b>	<b>108,159</b>
<b>Total assets less current liabilities</b>		<b>1,805,916</b>	<b>1,490,137</b>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2020*

		<b>As at 30 June 2020</b>	As at 31 December 2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Lease liabilities		(584)	(738)
Borrowings	15	(299,449)	(12,177)
Shareholders loan	16	(18,668)	(77,525)
Deferred tax liabilities		(70,630)	(11,519)
		<b>(389,331)</b>	<b>(101,959)</b>
<b>NET ASSETS</b>		<b>1,416,585</b>	<b>1,388,178</b>
<b>Capital and reserves</b>			
Share capital	17	429	429
Reserves		1,369,776	1,387,302
Equity attributable to owners of the Company		<b>1,370,205</b>	1,387,731
Non-controlling interests		<b>46,380</b>	447
<b>TOTAL EQUITY</b>		<b>1,416,585</b>	<b>1,388,178</b>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2020*

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Foreign currency translation	Warrant reserve	Property revaluation reserve	Accumulated losses	Other reserve	Total	Non-controlling interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2019 (Audited)	351	657,318	626,537	(50,072)	24,226	39,980	(83,624)	-	1,214,716	2,835	1,217,551
Issue of consideration shares (Unaudited)	78	220,882	-	-	-	-	-	-	220,960	-	220,960
Acquisition of subsidiaries (Unaudited)	-	-	-	-	-	-	-	-	-	7,117	7,117
Disposal of subsidiaries (Unaudited)	-	-	-	-	-	(5,552)	5,552	-	-	(2,412)	(2,412)
Return of capital to non-controlling interest (Unaudited)	-	-	-	-	-	-	-	-	-	(5,456)	(5,456)
Discounting of shareholder's loan	-	-	-	-	-	-	-	30,300	30,300	-	30,300
Total comprehensive income for the period (Unaudited)	-	-	-	8,504	-	-	41,686	-	50,190	(916)	49,274
At 30 June 2019 (Unaudited)	<u>429</u>	<u>878,200</u>	<u>626,537</u>	<u>(41,568)</u>	<u>24,226</u>	<u>34,428</u>	<u>(36,386)</u>	<u>30,300</u>	<u>1,516,166</u>	<u>1,168</u>	<u>1,517,334</u>
At 1 January 2020 (Audited)	429	878,200	626,537	(63,475)	24,226	37,120	(148,557)	33,251	1,387,731	447	1,388,178
Acquisition of subsidiaries (Note 18) (Unaudited)	-	-	-	-	-	-	-	-	-	50,319	50,319
Total comprehensive income for the period (Unaudited)	-	-	-	(3,533)	-	-	(13,993)	-	(17,526)	(4,386)	(21,912)
At 30 June 2020 (Unaudited)	<u>429</u>	<u>878,200</u>	<u>626,537</u>	<u>(67,008)</u>	<u>24,226</u>	<u>37,120</u>	<u>(162,550)</u>	<u>33,251</u>	<u>1,370,205</u>	<u>46,380</u>	<u>1,416,585</u>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2020*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net cash generated from operating activities</b>	<b>(120,074)</b>	5,273
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	27,843	(279,484)
Purchase of property, plant and equipment	(536)	(25)
Disposal of subsidiaries	–	(1,018)
<b>Net cash generated from/(used in) investing activities</b>	<b>27,307</b>	(280,527)
<b>Cash flows from financing activities</b>		
New borrowings	345,640	313,297
Loan from an associate	232,721	–
Capital refunded to non-controlling interest	–	(5,456)
Repayment of borrowings	(293,502)	(21,587)
Repayment of shareholders loan	(16,000)	–
Repayment of lease liabilities	(3,738)	(3,283)
Interests paid	(415)	(767)
<b>Net cash generated from financing activities</b>	<b>264,706</b>	282,204
<b>Net increase in cash and cash equivalents</b>	<b>171,939</b>	6,950
Cash and cash equivalents at the beginning of the period	166,852	18,292
Effect of changes in foreign exchange rate	(1,711)	244
<b>Cash and cash equivalents at the end of the period</b>	<b>337,080</b>	25,486
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>337,080</b>	25,486

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

### 1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively "the Group") for the period ended 30 June 2020 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

Upon the disposal of the Group's wholly-owned subsidiary Ample One Limited in 2019, the Group discontinued its operation of the production and sale of organic agricultural and fertilizers products.

### 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 year ended 31 December 2019 ("2019 Annual Report").

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2019 Annual Report of the Group.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***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 Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

**4. REVENUE AND SEGMENT INFORMATION**

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

	Property and development <i>HK\$'000</i>	Land development projects <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>
<b>Period ended 30 June 2020:</b>						
<b>(Unaudited)</b>						
Revenue	-	-	2,489	-	72,726	75,215
Segment (loss)/profit	(12,451)	(2,839)	2,439	(1,420)	2,023	(12,248)
<b>As at 30 June 2020:</b>						
<b>(Unaudited)</b>						
Segment assets	1,491,795	552,492	39,037	140,714	138,343	2,362,381
Segment liabilities	993,114	270,030	-	-	106,028	1,369,172
<b>Period ended 30 June 2019:</b>						
<b>(Unaudited)</b>						
Revenue	-	-	8,004	-	94,472	102,476
Segment (loss)/profit	-	(1,320)	8,001	(204)	5,464	11,941
<b>As at 31 December 2019:</b>						
<b>(Audited)</b>						
Segment assets	-	607,048	44,245	141,144	154,694	947,131
Segment liabilities	-	10,105	-	-	86,579	96,684

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit or loss:</b>		
Total (loss)/profit of reportable segments	(12,248)	11,941
Net loss on fair value changes on investments at fair value through profit or loss	(351)	(12,130)
Gain on bargain purchase	42,765	102,508
Share of results of associates	(24,919)	(17,230)
Corporate and unallocated profit or loss	(23,626)	(29,334)
Consolidated (loss)/profit before tax for the period	<b>(18,379)</b>	<b>55,755</b>

An analysis of the Group's revenue from continuing and discontinued operations are as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of agricultural and fertilizers products	–	7,004
Healthcare and household business	72,726	94,472
Revenue from contracts with customers	72,726	101,476
Interest income from money lending business	2,489	8,004
	<b>75,215</b>	<b>109,480</b>
Representing		
Continuing operations	75,215	102,476
Discontinued operations	–	7,004
	<b>75,215</b>	<b>109,480</b>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***4. REVENUE AND SEGMENT INFORMATION (Continued)**  
**Disaggregation of revenue from contracts with customers**

Segment	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Revenue for the period from discontinued operations HK\$'000 (Unaudited)	Healthcare and household business HK\$'000 (Unaudited)	Revenue for the period from discontinued operations HK\$'000 (Unaudited)	Healthcare and household business HK\$'000 (Unaudited)
United States of America	–	52,692	–	47,986
The People's Republic of China (the "PRC")	–	6,926	7,004	17,916
Germany	–	7,063	–	7,279
France	–	345	–	1,989
United Kingdom	–	1,492	–	3,537
Hong Kong and others	–	4,208	–	15,765
	–	72,726	7,004	94,472

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



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***5. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on other loans	27,924	–
Lease interests	205	633
Interest on shareholders loan	8,854	13,769
Interest on bank loans and overdraft	1,223	723
	<u>38,206</u>	<u>15,125</u>
Less: interest capitalised in properties under development for sale	(27,924)	–
	<u>10,282</u>	<u>15,125</u>
Representing		
Continuing operations	10,282	14,536
Discontinued operations	–	589
	<u>10,282</u>	<u>15,125</u>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***6. INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax – PRC Enterprise Income Tax		
– Provision for the year	–	404
Deferred tax	–	(156)
	–	248
Representing		
Continuing operations	–	404
Discontinued operations	–	(156)
	–	248

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 2019: Nil).

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

**7. (LOSS)/PROFIT FOR THE PERIOD**

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net loss on fair value changes on investments at fair value through profit or loss	<b>(351)</b>	(12,130)
Gain on bargain purchase	<b>42,765</b>	102,508
Loss on disposal of a subsidiary	<b>(170)</b>	(7,362)
Directors' emoluments	<b>(4,931)</b>	(4,336)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 8. INTERIM DIVIDEND

The board does not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

### 9. (LOSS)/EARNINGS PER SHARE

#### Basic (loss)/earnings per share

##### *From continuing and discontinued operations*

The calculation of basic (loss)/earnings 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\$13,933,000 (six months ended 30 June 2019: profit of approximately HK\$41,686,000) and the weighted average number of ordinary shares of 10,721,666,832 (six months ended 30 June 2019: 10,507,495,685) ordinary shares in issue during the period.

##### *From continuing operations*

The calculation of basic (loss)/earnings per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations attributable to owners of the Company of approximately HK\$13,933,000 (six months ended 30 June 2019: profit of HK\$55,844,000) and the denominator used is the same as that detailed above for basic (loss)/earnings per share.

##### *From discontinued operations*

The calculation of basic loss per share from discontinued operations attributable to owners of the Company for the six months ended 30 June 2019 is based on the loss for the period from discontinued operations attributable to owners of the Company of HK\$14,158,000 and the weighted average number of ordinary shares of 10,507,495,685 ordinary shares in issue during the period.

#### Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019.

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, property, plant and equipment of approximately HK\$536,000 was acquired by the Group (six months ended 30 June 2019: approximately HK\$1,108,000).



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***11. INTERESTS IN ASSOCIATES**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Share of net assets plus goodwill	<b>1,143,965</b>	1,170,328

The details of the associates are summarised as follows:

Name	Principal place of business/ countries of incorporation	% of ownership interest		Principal activity	Carrying amount	
		30 June 2020	31 December 2019		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Chengde CITIC Securities Jinyu Investment Development Co., Ltd.	The PRC	42.5%	42.5%	Primary land development	552,266	556,778
Pacific Memory Sdn Bhd	Malaysia	35.0%	35.0%	Property development	591,699	613,550
					<b>1,143,965</b>	1,170,328

As at 30 June 2020, there was an amount of HK\$232,721,000 due to an associate which is unsecured, interest free and repayable on demand.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2020

**12. TRADE AND OTHER RECEIVABLES**

The trade and other receivable included trade receivables of approximately HK\$42,316,000 as at 30 June 2020. The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
0 to 30 days	17,538	14,162
31 to 90 days	10,462	17,353
91 to 180 days	13,819	8,191
Over 180 days	497	–
	<u>42,316</u>	<u>39,706</u>

**13. LOANS AND INTERESTS RECEIVABLES**

The loans and interests receivables included loan receivables of approximately HK\$53,295,000 as at 30 June 2020. The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
0 to 6 months	40,795	31,492
7 to 12 months	12,500	9,500
	<u>53,295</u>	<u>40,992</u>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***14. TRADE AND OTHER PAYABLES**

The trade and other payables included trade payables and bills payables of approximately HK\$24,260,000 as at 30 June 2020. The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	<b>30 June 2020</b>	31 December 2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
0 to 30 days	<b>6,051</b>	5,827
31 to 90 days	<b>11,939</b>	10,477
91 to 180 days	<b>5,079</b>	5,468
Over 180 days	<b>1,191</b>	948
	<b>24,260</b>	22,720



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***15. BORROWINGS**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Unsecured loans from financial institutions	380	380
Secured bank loans	285,981	7,733
Unsecured other loans	680,559	4,682
Secured factoring loan	–	1
	<b>966,830</b>	12,796
Analysed for reporting purposes as:		
– Non-current liabilities	299,449	12,177
– Current liabilities	667,381	619
	<b>966,830</b>	12,796

The secured bank loans represent loans which are secured by the corporate guarantee provided by third parties and personal guarantee of the related parties of the subsidiary of the Company. The loans are arranged at floating rate ranging from 5.66% to 6.09% and fixed interest rate ranging from 8.00% to 9.57% per annum.

The unsecured other loans of approximately HK\$663,912,000 (2019: HK\$Nil) are interest free, unsecured and repayable in 2021. The effective interest rate is 14.62%. The remaining loans represent loans which are interest bearing at 4.75% per annum interest rate (2019: 4.75%).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***16. SHAREHOLDERS LOANS**

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Loans from Shareholders	<b>324,972</b>	307,525
Analysed for reporting purposes as:		
– Current liabilities	<b>306,304</b>	230,000
– Non-current liabilities	<b>18,668</b>	77,525
	<b>324,972</b>	307,525

The shareholders loans include an amount of HK\$29,502,000 as at 30 June 2020 (2019: Nil) which is unsecured, interest free and repayable on demand.

On 10 January 2019, the Group entered into a loan agreement of HK\$300 million with a shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant.

The effective interest rate of the shareholder loan is 10.47%.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***17. SHARE CAPITAL**

	<i>Note</i>	<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 2019, 31 December 2019 and 30 June 2020		25,000,000,000,000	1,000,000
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.00004 each at 1 January 2019 (Audited)		8,783,417,951	351
Issue of consideration shares	<i>(a)</i>	1,938,248,881	78
At 31 December 2019 (Audited) and at 30 June 2020 (Unaudited)		10,721,666,832	429

- (a) On 21 January 2019, 1,938,248,881 ordinary shares of the Company of HK\$0.00004 each were issued at HK\$0.114 per share as part of the consideration for acquisition of 100% of the issued shares of Hong Kong Zhongzheng City Investment Limited. The premium on the issue of shares of approximately HK\$220,882,000 was credited to the Company's share premium accounts.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2020***18. ACQUISITION OF A SUBSIDIARY**

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

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

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

*For the six months ended 30 June 2020*

### **18. ACQUISITION OF A SUBSIDIARY (Continued)**

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

The Target Companies contributed approximately HK\$12,451,000 loss to the Group's results for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2020, total revenue of the Group from continuing operations for the period would have been HK\$75,215,000, and loss for the period would have been HK\$26,843,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

### **19. CONTINGENT LIABILITIES**

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (31 December 2019: Nil).

### **20. 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 30 June 2020.

### **21. APPROVAL OF FINANCIAL STATEMENTS**

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 21 August 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Company has formally changed its name to Zhongzheng International Company Limited. The new Company name can better reflect the status of the business for the Group and its future development direction.

### BUSINESS REVIEW AND OUTLOOK

#### Results for the period

Revenue of the Group for the six months ended 30 June 2020 amounted to approximately HK\$75,215,000 from continuing operations, which represented a decrease of approximately HK\$27,261,000 or 26.6% as compared to approximately HK\$102,476,000 in the corresponding period in 2019.

The consolidated loss of the Group for the six months ended 30 June 2020 amounted to approximately HK\$18,379,000 as compared to the profit of approximately HK\$40,770,000 in the corresponding period in 2019.

The following is the review of the business of the Group for the six months ended 30 June 2020 and the outlook of the Group's business in the second half of 2020.

#### Land and property development projects

##### *Primary land development*

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

Chengde CITIC Securities Urban and Rural Development Co., Ltd.\* (承德中證城鄉開發有限公司) ("CITIC Development") is the project company of the Luanping Project. The Company has 90% interest in CITIC Development through holding an associate called Chengde CITIC Securities Jinyu Investment Development Co., Ltd.\* (承德中證金域投資開發有限公司). CITIC development is responsible for the planning and budget and manage the operation of the Luanping Project. By way of finance, CITIC Development provides resettlement compensation to local residents for land collection, construction of supporting roads, water supply, power supply, gas supply and other public infrastructure. The cost of development is borne by CITIC Development. When the land has been developed to a saleable state, the government authority is obligated to conduct land auctions. Certain portion of the proceeds from land auction is allocated by government authority to CITIC Development in the form of fixed and floating income. The first phase of the Luanping Project is expected to cover an estimated development land area of approximately 12,000 mu.

\* For identification only



## MANAGEMENT DISCUSSION AND ANALYSIS

After the ecological environment issue that occurred in 2019 is resolved, the government authority plans to resume the land auctions in 2020. However, due to the Covid-19 epidemic, the sale of land was again severely affected and delayed. As per the latest plan of the project company, the government expects to launch 627 mu (or 418,000 square meters) of land for auction in the second half of 2020. A piece of land with area of 56 mu was sold on 24 June 2020. During July 2020, two pieces of land with area of 58,540 square meters and 45,450 square meters (approximately 156 mu in aggregate) were launched for auction by local government.

For infrastructure construction progress, National highway G101 has been completed by over 80%. The provincial highway S308 has been gradually completed for inspection. The completion of such highways will significantly improve the image of this area. Qin Chun New Residence, Bakshiying Town, Luanping County\* (灤平縣巴克什營鎮“沁春新居”) is the first resettlement community of the Luanping Project. The New Residence is expected to be completed by the fourth quarter of this year.

With the delay in land auction for the Luanping Project during the first half of the year, the share of loss of associates for the Company amounted to HK\$24,919,000, which increased by approximately 44.6% from HK\$17,230,000 in the same period last year. The loss of associates is mainly comprised of the operating expenses and interest from the Luanping Project.

### *Property development*

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

The name of the Dongguan Project is CITIC·Cloud Courtyard\* (中證·雲庭), which is located at the Nancheng District, Dongguan City. It is the area with the most mature supporting facilities and scarce housing supply in Dongguan City. The project consists of two 25-storey buildings with both residential and commercial elements. According to the latest construction plan, the gross floor area for residential portion and commercial portion are 23,410 square meters and 4,897 square meters respectively. The two underground floors will be parking area. Pre-sale is targeted to be commence around early October 2020 and the construction is expected to be completed in around June 2022.

\* For identification only



## MANAGEMENT DISCUSSION AND ANALYSIS

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

- The construction progress has been completed to the fifth floor of the west tower and first floor for the east tower;
- The sales center and showrooms are well decorated and open to the public;
- Completion of the blueprint enhancement for elevators, water and gas supply; and
- Completion of the preliminary project budget planning.

The name of the Nanjing Project is Spring Breeze\* (“泉悦春风”), which is located at Naishan ecological scenic area, Long Pao New City, Jiangbei New Area, Nanjing. The project features a high-end hot spring hotel and low-density Chinese-style courtyard community. The total development area of the project is about 240,000 square meters. It includes development for three phases of low-density residential elements – villas and courtyard. There is also a Banyan Tree hotel development for the project since it is a tourist spot famous for its hot spring. The gross floor area of the whole project is about 292,000 square meters. The first four batches of 249 units are expected to obtain pre-sale approval license during the second half of 2020. The first phase is targeted to deliver villa courtyard to customers by the end of 2021 and the second and third phase of villa courtyard to customers by the end of 2023. On 10 July 2020, within the red line of the project, a hot spring well with a well depth of 3,303.66 meters successfully produced water, and the outlet temperature of the well reached 70 degrees celsius. It was identified by the government as the deepest high-quality hot spring in Nanjing.

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

- The attainment of pre-sale approval license for 122 units;
- The commencement of internal sales and selling activities;
- Completion of the construction of showrooms, selling center and landscape core area;
- Completion the drilling of hot spring well with depth of approximately 3,300 meters; and
- Resolved for the issues of woodland boundary, utilities facilities and regional farm road.

\* For identification only



## MANAGEMENT DISCUSSION AND ANALYSIS

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

The development plan of the first phase of proposed commercial development at Port Dickson, Malaysia has already been submitted to the relevant government agencies for approval and the part of the plan that related to the building of berths has already been approved. The local management of Pacific Memory are awaiting for other part of the development plan to be approved before they decide how to proceed with it. Based on the latest development plan, the first phase of the proposed development is estimated to be completed in around 2021 while the second phase of the proposed development is estimated to be completed in 2023. A hotel of approximately 300 guests rooms with 10% suites and approximately 4,000 square meters of meeting space is planned to be developed and managed by Hard Rock Hotel for a term of 20 years. The temporary building layout plan for the first phase includes open parking, sales gallery, hotel (as mentioned), show unit, retails, event space, glamping site and outdoor garden. Due to the Covid-19 epidemic, the development of the project has been affected and no significant progress has been made during period under review.

### **Money lending business**

The segment revenue being interest income from the Group's money lending business for the six months ended 30 June 2020 was approximately HK\$2,489,000 (2019: HK\$8,004,000). 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. Total loan receivables as at 30 June 2020 was approximately HK\$33,295,000 (31 December 2019: HK\$40,992,000) after reviewing the risk of default of individual borrowers and making an impairment allowance of HK\$3,000,000 (31 December 2019: HK\$3,000,000). In view of the recent market sentiment, the Group does not expect further growth in its money lending business in 2020.

### **Coal mining business**

During the period under review, there was no mining production at the Group's coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), no revenue was recognised from the coal mining business for the six months ended 30 June 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

No capital expenditure was incurred on mining infrastructure as there was no development activity during the six months ended 30 June 2020. Operating expenses related to the Group's mining business charged to the statement of profit or loss and other comprehensive income were mainly administrative expenses amounted to approximately HK\$1,420,000 for the six months ended 30 June 2020 (2019: HK\$204,000). The significant increase in expenses during the period was caused by the incurrence of license and report fees for the renewal of exploration and exploitation rights. During period under review, the rights have been renewed for 10 years up to December 2029.

The coal resource estimates as at 30 June 2020 were as follows:

JORC Category	Coal Resource Estimate		Change in %	Reason of change
	<i>(in thousand tonnes)</i>			
	As at 30 June 2020	As at 31 December 2019		
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
	<b>26,339</b>	<b>26,339</b>		

As no exploration and mining activity had been carried out during the six months ended 30 June 2020, there was no material change to the PT Bara Mine since the end of 2019 and the coal resources estimates as of 30 June 2020 were the same as those recorded as of 31 December 2019. No review of the coal resources was carried during the six months ended 30 June 2020.

The carrying amount of the exploration and evaluation assets is reviewed for impairment annually. The last valuation of PT Bara Mine was done at the beginning of 2020 by Fairdex Valuation Advisory Limited and an impairment loss of approximately HK\$86,690,000 was recognised for the year ended 31 December 2019 being the recoverable amount of the PT Bara Mine that is less than its carrying amount as at 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue of the healthcare and household business decreased to approximately HK\$72,726,000 for the six months ended 30 June 2020, which represented a decrease of approximately HK\$21,746,000 or 23.0% as compared to approximately HK\$94,472,000 recorded during the corresponding period in 2019. For the six months ended 30 June 2020, sales in France and Germany decreased by approximately HK\$1,644,000 and HK\$216,000 respectively, and sales in the United States of America (the “USA”) increased by approximately HK\$4,706,000. In addition to the organic growth in the USA, the growth was attributable to the launch of several new products. Sales to the PRC decreased by approximately HK\$10,990,000 mainly due to the stiff competition in the electric toothbrushes market in the PRC and the impact of Covid-19 epidemic during the period under review. Sales to other countries decreased by approximately HK\$13,602,000 mainly due to the impact of Covid-19 epidemic

Gross profit margin for the segment decreased slightly from 28.8% for the six months ended 30 June 2019 to 27.8% for the period under review, this was mainly due to the increase in labour cost which was caused by labour shortage and tight production schedule requested by customers during the period under review. Consistent with the decrease in revenue, gross profit decreased to approximately HK\$20,242,000 in the period under review (2019: HK\$27,359,000). Overall, the Group’s healthcare and household business recorded a segmental profit of approximately HK\$2,023,000 as compared to a segmental profit of approximately HK\$5,464,000 in the corresponding period in 2019.

Since sales showed a decrease in the first half of 2020, the Group is cautious about the outlook of the global consumer market in the second half of 2020 as escalating trade war between the USA and the PRC shows no signs of easing. Also, the impact of Covid-19 epidemic seems to continue in the foreseeable future. On the other hand, the Group will continue to improve productivity and operational efficiency to lower production costs.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Others

The Group recorded a loss of approximately HK\$18,379,000 as compared to a profit of approximately HK\$40,770,000 in the corresponding period in 2019 which was mainly due to the combined effect of the following reasons:

- (a) The abovementioned reasons for the increase or decrease in profit or loss of different reportable segments;
- (b) the administrative expenses of approximately HK\$50,984,000 (2019: HK\$37,255,000). The increase was mainly caused the acquisition of subsidiaries engaging in property development in the PRC during the period under review. With the increase in the number of operating subsidiaries, administrative expenses increased accordingly. The administrative expenses for land and property development projects segment increased by HK\$12,970,000 to approximately HK\$14,797,000 during the period under review (2019: HK\$1,827,000);
- (c) during the period under review, the Group recognized a gain on bargain purchase of approximately HK\$42,765,000 in the acquisition of Qianhai Huateng. The gain on bargain purchase was caused by the amount of consideration paid lower than the fair value of the net assets acquired as at the date of completion. The gain on the bargain purchase was a one-off non-cash adjustment which has no impact on the Group's operating cash flow; and
- (d) for the six months ended 30 June 2019, the Group recognized a gain on bargain purchase of approximately HK\$102,508,000 in the acquisition of Hong Kong Zhongzheng City Investment Limited. The gain on bargain purchase was mainly attributable to the decrease in the market price of the shares of the Company upon business combination. The gain on the bargain purchase was a one-off non-cash adjustment which has no impact on the Group's operating cash flow.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Prospect

Since the PRC has effectively controlled the outbreak of the Coronavirus outbreak, the GDP of the PRC returns to positive growth during the first half of 2020. At the same time, as the PRC Central Government has implemented more policies to stimulate consumption, it is expected that the business environment of the PRC will continue to improve in the second half of 2020. From the second half of 2020, the primary land development and property development projects of the Group will reverse the stagnant status in the first half. Since the government commence the land auction, CITIC Development will recover part of the development costs from the proceeds from the government land auction. Dongguan Project and Nanjing Project will also commence sale in the second half of the year, which will contribute revenue to the Group.

The Group remain cautious about the export and sale of healthcare and household products. In addition to the improvement of production capacity and efficiency, the Group will be determined to develop new products to capture market share.

### LIQUIDITY AND FINANCIAL RESOURCES

#### Cash position

As at 30 June 2020, the Group had cash and bank deposits of approximately HK\$337,080,000 (31 December 2019: HK\$166,852,000) with a foreign currency deposits denominated in Renminbi (“RMB”) amounted to approximately HK\$332,415,000 (31 December 2019: HK\$5,731,000).

#### Current ratio

As at 30 June 2020, the Group had net current assets of approximately HK\$456,744,000 (31 December 2019: HK\$108,159,000) and current ratio (being current assets over current liabilities) of 1.30 (31 December 2019: 1.32).

#### Debts and borrowings

As at 30 June 2020, the Group had total debts and borrowings of approximately HK\$1,291,802,000 (31 December 2019: HK\$320,321,000) which mainly comprised of shareholders loan, unsecured loan from financial institutes and secured bank loan.

#### Gearing ratio

The Group's gearing ratio being total debt over total equity is 94.3% (31 December 2019: 23.1%).



## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

### **Employees and remuneration policy**

As at 30 June 2020, the Group had 30 employees (2019: 33) in Hong Kong, 813 employees (2019: 828) in the PRC and 1 employee (2019: 1) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

### **Important Events After the End of the Financial Period**

The English name of the Company has been changed from "eForce Holdings Limited" to "Zhongzheng International Company Limited" and the Chinese name "中證國際有限公司" has been adopted and registered as the secondary name of the Company to replace its existing Chinese name "意科控股有限公司" which was adopted then for identification purpose only, with effect from 2 July 2020.

Save as disclosed above, there are no important events affecting the Group which have occurred after the end of the financial period for the six months ended 30 June 2020 and up to the date of this report.

### **Future plans for material investments or capital assets**

Save as disclosed in the section headed "Prospects" in this report, there were no other future plans for material investments or acquisition of capital assets as at 30 June 2020.

## OTHER INFORMATION

### REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the “Audit Committee”) has reviewed and discussed with the management and the auditor the unaudited interim financial statements for the six months ended 30 June 2020. The unaudited interim financial statements for the six months ended 30 June 2020 were approved and authorized for issue by the Board of Directors on 21 August 2020.

### INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

As at 30 June 2020, except for Mr. Leung Chung Shan (“Mr. Leung”), the chairman and executive Director of the Company, Mr. Lim Kim Chai, J.P. (“Mr. Lim”), the non-executive Director of the Company and Mr. Qiu Qing (“Mr. Qiu”), being an executive Director and the chief executive officer (“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 (the “Model Code”).

The interests of Mr. Leung, Mr. Lim and Mr. Qiu in shares of the Company as at 30 June 2020 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 of the Company 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 dated 14 August 2015. No share options were granted or exercised during the six months ended 30 June 2020, under Share Option Scheme 2015.

Save as disclosed above, during the six months ended 30 June 2020, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.



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

As at 30 June 2020, other than the interests of the Directors and chief executives of the Company as disclosed in the section titled “Directors’ and Chief Executives’ 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 by 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:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding<sup>1</sup></b>
Mr. Leung <sup>2</sup>	Beneficial owner	4,233,534,364	39.48%
Shek Ying <sup>3</sup>	Interest of spouse	4,233,534,364	39.48%
Mr. Lim <sup>4</sup>	Beneficial owner	1,569,420,951	14.64%
Mr. Qiu <sup>5</sup>	Beneficial owner	1,259,861,773	11.75%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳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. <sup>6</sup> (“CITIC”)	Interest of controlled corporation	678,387,108	6.33%

\* For identification only

## OTHER INFORMATION

### Notes:

1. Based on 10,721,666,832 shares of the Company in issue as at 30 June 2020.
2. Mr. Leung is the chairman and executive Director of the Company.
3. Ms. Shek Ying, the spouse of Mr. Leung, is deemed to be interested in Mr. Leung's interest in the Company by virtue of the SFO.
4. Mr. Lim is the Non-executive Director of the Company.
5. The 1,259,861,773 share which were deemed to be interested by Mr. Qiu were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% in TJNL. Also, Mr. Qiu is the CEO and executive Director of the Company.
6. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd\* (金石投资有限公司) and accordingly deemed to have an interest in the share held by GoldStone Investment Co., Ltd\*.

Save as disclosed above, as at 30 June 2020, 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 30 June 2020.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 30 June 2020.

### CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2020, with the exception of Code 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 Board therefore considers this meets the underlying objective of the aforesaid code provision.

\* For identification only



## OTHER INFORMATION

### CHANGES IN INFORMATION OF DIRECTORS

Each of Mr. Zhang Youjun (“Mr. Zhang”) and Mr. Qiu were appointed as executive Directors and Mr. Qiu was appointed as a member of each of the remuneration committee (the “Remuneration Committee”) and nomination committee (the “Nomination Committee”) of the Company. For other information regarding the appointment of Mr. Zhang and Mr. Qiu, please refer to the Company’s announcement dated 17 April 2020.

Mr. Chan Tat Ming, Thomas (“Mr. Chan”) tendered his resignation as an executive Director on 17 April 2020 as he would like to focus on other business commitments.

Mr. Chan confirmed that he had no disagreement with the Board and there were no other matters relating to his resignation that needed to be brought to the attention of the shareholders of the Company.

Mr. Liu Liyang (“Mr. Liu”) resigned as the CEO of the Company on 16 July 2020 as he would like to devote more time to his role as an executive Director.

Mr. Liu confirmed that he had no disagreement with the Board and there were no other matters relating to his resignation that needed to be brought to the attention of the Stock Exchange and shareholders of the Company.

Mr. Qiu was appointed as CEO of the Company on 16 July 2020 and re-designated from the position of a member to the chairman of the Nomination Committee. For other information regarding the appointment of Mr. Qiu, please refer to the Company’s announcement dated 16 July 2020.

In addition to the change of Mr. Qiu, there were changes in the composition of the Board committees on 16 July 2020:

- Mr. Leung resigned as the chairman of the Nomination Committee;
- Mr. Tam Lup Wai, Franky resigned as a member of each of the Remuneration Committee and the Nomination Committee;
- Mr. Liu resigned as a member of each of the Remuneration Committee and the Nomination Committee; and
- Mr. Lim was appointed as a member of each of the Remuneration Committee and the Nomination Committee.

## OTHER INFORMATION

On 28 July 2020, there were changes in the composition of the Board committees as follows:

- Mr. Qiu was re-designated from the position of the chairman to a member of the Nomination Committee;
- Mr. Leung was appointed as the chairman of the Nomination Committee; and
- Mr. Lim resigned as a member of the Nomination Committee.

Save as disclosed above, during the six months ended 30 June 2020 and up to the date of the report, there was no other change in the information of Directors.

### AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, all being independent non-executive Directors. Mr. Li Hon Kuen is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the Code.

The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, reappointment or removal of the external auditor.

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

Hong Kong, 21 August 2020

*As at the date of this report, the Board comprises five executive Directors, namely Mr. Leung Chung Shan, Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Zhang Youjun 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.*

