



ZHONGTIAN INTERNATIONAL LIMITED
中天國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02379)

Interim Report
2020

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHEN Jun
SU Haiqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Chak Kwan
CUI Haitao
LIU Jin Lu

COMPANY SECRETARY

TAI Man Hin, Tony (*CPA*)

AUDIT COMMITTEE

CUI Haitao (*Chairman*)
CHAN Chak Kwan
LIU Jin Lu

REMUNERATION COMMITTEE

LIU Jin Lu (*Chairman*)
CHAN Chak Kwan
CUI Haitao

NOMINATION COMMITTEE

CHEN Jun (*Chairman*)
CHAN Chak Kwan
CUI Haitao

LEGAL ADVISORS AS TO HONG KONG LAWS

Khoo & Co., Solicitors

AUTHORISED REPRESENTATIVES

SU Haiqing
CHEN Jun

STOCK CODE

02379

COMPANY'S WEBSITE

www.irasia.com/listco/hk/zhongtian

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Tern Centre, Tower 2,
251 Queen's Road Central
Hong Kong

AUDITORS

Crowe (HK) CPA Limited

PRINCIPAL BANKERS

China Construction Bank,
No.3 branch, Shinan District, Qingdao
Hua Xia Bank
Nanjing Road Sub-branch, Qingdao
The Hongkong and Shanghai Banking
Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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No. 38 Shandongtou Road
Laoshan District
Qingdao City Shandong Province
The People's Republic of China

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board (the “Board”) of directors (the “Director(s)”) of Zhongtian International Limited (the “Company”, together with its subsidiaries, collectively known as the “Group”) is pleased to present the Group’s unaudited consolidated results for the six months ended 30 June 2020 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	2	19,062	7,292
Other revenue, income and other net gains	3	20,780	19,221
Gain on land expropriation		—	48,777
Change in fair value of investment properties	8	(2,170)	915
Administrative expenses		(5,806)	(4,051)
Finance costs		(24,953)	(26,054)
Profit before taxation	4	6,913	46,100
Income tax (expenses)/credits	5	(491)	27,560
Profit for the period		6,422	73,660
Attributable to:			
Equity holders of the Company		6,422	73,660
Other comprehensive loss for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of foreign operations		(313)	(41)
Total comprehensive income for the period			
<i>Attributable to owners of the Company</i>		6,109	73,619
Earnings per share (expressed in RMB cents)			
Basic and diluted	7	1.6	18.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
NON-CURRENT ASSETS			
Investment properties	8	546,890	549,060
Property, plant and equipment		682	814
Loan and other receivables	9	360,000	484,128
		907,572	1,034,002
CURRENT ASSETS			
Land under development into properties for sale	10	147,503	147,503
Loan and other receivables	9	266,152	137,406
Prepayment for construction costs	11	140,850	140,850
Trade and other receivables	12	62,005	55,937
Cash and cash equivalents		10,829	10,987
		627,339	492,683
CURRENT LIABILITIES			
Trade and other payables	13	92,551	92,962
Amount due to a former director		894	876
Amount due to the ultimate controlling party of the Company		24,817	22,448
Tax payable		12,016	10,126
Bank and other borrowings	14	431,000	290,300
		561,278	416,712
NET CURRENT ASSETS		66,061	75,971
TOTAL ASSETS LESS CURRENT LIABILITIES		973,633	1,109,973

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	14	372,500	513,550
Deferred tax liabilities		189,859	191,258
		562,359	704,808
NET ASSETS			
		411,274	405,165
CAPITAL AND RESERVES			
Share capital	15	3,667	3,667
Reserves		407,607	401,498
TOTAL EQUITY			
		411,274	405,165
TOTAL ASSETS			
		1,534,911	1,526,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	(Unaudited)						
	Reserves						
	Share capital	Share premium	Exchange reserve	Property revaluation reserve	Retained profits	Sub-total	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	3,667	328,194	(4,569)	2,633	75,240	401,498	405,165
Net profit for the period	—	—	—	—	6,422	6,422	6,422
Other comprehensive loss for the period:							
Exchange difference on translation of financial statements of foreign operations	—	—	(313)	—	—	(313)	(313)
Total comprehensive income/(loss) for the period	—	—	(313)	—	6,422	6,109	6,109
At 30 June 2020	3,667	328,194	(4,882)	2,633	81,662	407,607	411,274
At 1 January 2019	3,667	328,194	(3,792)	2,633	10,815	337,850	341,517
Net profit for the period	—	—	—	—	73,660	73,660	73,660
Other comprehensive loss for the period:							
Exchange difference on translation of financial statements of foreign operations	—	—	(41)	—	—	(41)	(41)
Total comprehensive income/(loss) for the period	—	—	(41)	—	73,660	73,619	73,619
At 30 June 2019	3,667	328,194	(3,833)	2,633	84,475	411,469	415,136

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash generated from from operating activities	22,344	38,962
Investing activities		
Other interest received	2,800	19,200
Payment for expenditure on investment properties and property, plant and equipment	—	(85)
Land expropriating compensation received	—	136,777
Payment for construction costs of land under development	—	(105,653)
Net cash generated from investing activities	2,800	50,239
Financing activities		
Proceeds from bank and other borrowings	19,900	—
Repayment of bank and other borrowings	(20,250)	(10,900)
Interest paid	(24,952)	(51,782)
Net cash used in financing activities	(25,302)	(62,682)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(158)	26,519
Cash and cash equivalents at beginning of the period	10,987	15,465
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES	10,829	41,984

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8 Definition of Material

The adoption of these amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group.

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The amount of each significant category of revenue recognised in revenue during the period is as follows:

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Gross rental income from investment properties	15,332	3,335
Revenue from provision of financial services	3,730	3,957
	19,062	7,292

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segments information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being executive directors of the company as the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property segment: this segment includes property development, investment and leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently, all of the Group's investment properties are located in the PRC.
- Financial service segment: provision of services in connection with financing and procurement arrangements in the PRC, details of which are disclosed in Note 9.
- Renovation service segment: provision of services in connection with arranging renovation projects in PRC.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segments information *(Continued)*

(i) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Property		Financial service		Renovation service		Total	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
For the six months ended 30 June								
Reportable segment revenue from external customers	15,332	3,335	3,730	3,957	—	—	19,062	7,292
Reportable segment profit	3,628	42,519	4,405	3,957	—	—	8,033	46,476
	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Reportable segment assets	884,222	855,579	631,736	627,119	8,379	33,379	1,524,337	1,516,077
Reportable segment liabilities	(487,354)	(461,894)	(604,814)	(604,195)	(4,744)	(29,744)	(1,096,912)	(1,095,833)

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segments information *(Continued)*

(ii) *Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:*

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit or loss		
Reportable segment results	8,033	46,476
Unallocated other operating income	1	5
Unallocated other corporate expenses	(1,121)	(381)
Consolidated profit before taxation	6,913	46,100

(c) Geographical segments

No geographical segments information of the Group is shown as the Group's major operations and markets including location of non-current assets are all located in the PRC.

3. OTHER REVENUE, INCOME AND OTHER NET GAINS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income from loan receivable (Note)	20,102	19,200
Interest income from bank deposits	1	17
Imputed interest on income receivable from provision of financial services	676	—
<hr/>		
Interest income on financial assets measured at amortised cost	20,779	19,217
Sundry income	1	4
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	20,780	19,221

Note: The interest income is the same as the interest payable on the back-to-back loan arrangement, as further detailed in Note 9.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance cost (Note)	24,953	26,054
Depreciation of property, plant and equipment	133	205

Note: Included in the interest of bank and other borrowing was RMB20,102,000 (2019: RMB19,200,000) accrued on the back-to-back loan arrangement as further disclosed in Note 9.

5. INCOME TAX (EXPENSES)/CREDITS

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax - PRC Enterprise Income Tax - provision for current period	(1,890)	—
Deferred taxation: - origination and reversal of temporary differences	1,399	27,560
	(491)	27,560

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2019: 25%).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made for the periods ended 30 June 2020 and 2019, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the two periods.

6. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2019: Nil).

7. EARNING PER SHARE

The calculation of basic earning per share of the Company is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2020 of approximately RMB6,422,000 (six months ended 30 June 2019: profit of approximately RMB73,660,000) and weighted average number of Shares issued as at 30 June 2019 of 410,209,122 (30 June 2019: 410,209,122).

There were no dilutive potential Shares as at 30 June 2020 and 30 June 2019, and diluted earning per share is the same as basic earning per share.

8. INVESTMENT PROPERTIES

	Completed properties RMB'000
At 1 January 2020 (Audited)	549,060
Loss from fair value change	(2,170)
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At 30 June 2020 (Unaudited)	546,890

The land held as investment property under development is situated in Qingdao, the PRC and held under a medium term lease of 40 years. All the investment properties of the Group are held for rental purposes and/or capital appreciation in future.

All of the Group's investment properties were revalued on 30 June 2020 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being an independent firm of valuers, who has amongst its staff, fellow members of chartered surveyors with qualification and recent experience in the location and category of similar properties being valued. The fair values of completed properties were arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties, where appropriate, by reference to market evidence of transaction prices for the similar properties in the same locations and conditions. The completed properties are currently leased to third parties under operating leases.

The change in fair value with a loss of RMB2,170,000 (2019: Nil) is recognised in profit or loss for the period ended 30 June 2020. The investment properties have pledged to banks, an other financial institution and a trust scheme for bank and other borrowings of the Group, as further detailed in Note 14.

9. LOAN AND OTHER RECEIVABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Loan receivable	600,000	600,000
Interests receivable	22,286	5,584
Income receivable from provision of financial services	26,152	21,534
<hr/>		
Loan and other receivables carried at amortised costs	648,438	627,118
Less: Amount classified under current assets included in trade and other receivables (Note 12)	(22,286)	(5,584)
Less: Amount classified under current assets as loan and other receivables	(266,152)	(137,406)
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Non-current assets	360,000	484,128

9. LOAN AND OTHER RECEIVABLES *(Continued)*

On 17 July 2017, Qingdao Zhongtian Enterprises Development Co., Ltd (“Qingdao Zhongtian”), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement (the “Construction and Procurement Agreement”) with a third party natural gas operator (the “Gas Operator”) which holds a concession right for the construction of natural gas pipeline networks and for distribution of natural gas in the designated areas in Qingdao (the “Natural Gas Project”), the PRC, and another third party supplier of materials and equipment (the “Supplier”) for construction of the Natural Gas Project, for a term of 10 years. In accordance with the commercial substance of the arrangements under the Construction and Procurement Agreement, as clarified by a supplemental agreement dated 26 March 2018 (“Supplemental Agreement”) made between Qingdao Zhongtian and the Gas Operator, during the year ended 31 December 2017, Qingdao Zhongtian provided the financial services to the Gas Operator and obtained a loan of RMB600,000,000 (the “Project Loan”) from an independent third party trust scheme (Note 14), which was then transferred, at the instructions of the Gas Operator, to the Supplier as advanced payments made by the Gas Operator for the purchase costs of materials and equipment acquired and/or to be acquired from the Supplier, in connection with the construction of the Natural Gas Project of the Gas Operator. The Project Loan was obtained by Qingdao Zhongtian from the trust scheme on a back-to-back basis for the Gas Operator. Out of the proceeds of the Project Loan of RMB600,000,000 obtained from the trust scheme, The Gas Operator (as one of the beneficiaries of the trust scheme) contributed RMB120,000,000, representing 20% of the Project Loan, to the trust scheme. The Gas Operator has provided an unlimited corporate guarantee in favour of the trust scheme for the repayments of the principals of the entire Project Loan and the interest accruing at the applicable effective rate of 6.49% per annum on the Project Loan, which shall be the obligations of the Gas operator for repaying to the trust scheme. The Gas Operator shall repay Qingdao Zhongtian for the entire Project Loan, at each instalment of RMB120,000,000, RMB120,000,000 and RMB360,000,000 on 1 November 2020, 31 May 2021 and 31 May 2022, respectively. The interests accrued thereon shall be repaid on a quarterly basis. The principals of Project Loan receivable from the Gas Operator, together with the interest accrued thereon and service charge as detailed below, are secured by the collateral of the business and its relevant assets of the Natural Gas Project of the Gas Operator, based on a pledge agreement entered into between the Gas Operator and Qingdao Zhongtian on 18 June 2018.

9. LOAN AND OTHER RECEIVABLES *(Continued)*

In consideration of the services rendered by Qingdao Zhongtian, the Gas Operator shall pay Qingdao Zhongtian a fee, as financial service income, which is recognised on a daily basis at RMB24,658 (inclusive of value-added tax) per day and straight-line basis over the contract term period of 10 years. During the period ended 30 June 2020, financial service income of RMB4,488,000 (2019: RMB4,590,000), net of value-added tax of RMB619,000 (2019: RMB633,000) and discounting effect of RMB139,000 (2019: Nil), amounting to RMB3,730,000 (2019: RMB3,957,000) was recognised and credited to the profit or loss for the year. At 30 June 2020, the income receivable from provision of financial services of RMB26,152,000 (2019: RMB21,534,000) will be settled in the schedules same as those for the principals of the project loan as mentioned above.

At the end of the Reporting Period, the Group assessed recoverability of the long-term loan and interest receivables, together with the service income receivable, totalled approximately RMB648,438,000 (2019: RMB627,118,000), taking into account current conditions and factors specific to the Gas Operator and forward looking information such as the forecast of future economic environment and government policies, the recoverable amount of the business and its relevant assets of the Gas Operator pledged in favour of the Group, based on a valuation performed by CHFT Advisory And Appraisal Limited, an independent professional valuer with qualifications and experiences in valuing similar assets.

Based on the assessment, the directors of the Company considered that the recoverable amount of the long-term loan and interest receivable and the service income receivable was above the aggregate of their carrying amounts and accordingly, no provision for ECLs on these financial assets was made as at 30 June 2020 and 31 December 2019.

10. LAND UNDER DEVELOPMENT INTO PROPERTIES FOR SALE

Land under development into properties for sale represents land previously classified as investment properties, which was reclassified as land under development into properties for sale since 20 May 2019 as the Group has changed its overall business plan for developing the land into residential and commercial properties intended for sale within its normal operating cycle, plus any additional costs incurred for the development of the land.

11. PREPAYMENT FOR CONSTRUCTION COST

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Prepayment for construction cost (note)	140,850	140,850

Note: During the year ended 31 December 2019, the Group entered into a new construction contract with a main contractor, which is an independent third party, for the construction of the land (Note 10) into residential units and commercial properties intended for sale. In accordance with the terms of the construction contract, the Group made prepayments of approximately RMB140,850,000 to the main contractor.

12. TRADE AND OTHER RECEIVABLES

As of the end of the Reporting Period, trade receivables represent rental receivables. The aging analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts is as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0–30 days	14,397	35,994
31–60 days	2,199	2,615
61–90 days	2,199	2,615
91–180 days	6,596	7,846
181–365 days	13,076	873
Over 365 days	873	—
Trade debtors and bills receivable, net of allowance	39,340	49,943
Loan interest receivables (Note 9)	22,286	5,584
Other receivables	214	247
Trade and other receivables classified as loan and receivables	61,840	55,774
Prepayments and deposits	165	163
	62,005	55,937

All of the trade and other receivables are expected to be received or recognised as expense within one year.

13. TRADE AND OTHER PAYABLES

Trade and other payables of RMB92,551,000 (31 December 2019: RMB92,962,000) include trade payables of RMB5,575,000 (31 December 2019: RMB30,575,000).

The aging analysis of trade payables at the end of the Reporting Period, based on the invoice date, is as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0-30 days	—	28,095
181-365 days	3,095	—
Over 365 days	2,480	2,480
	<hr/>	<hr/>
	5,575	30,575

14. BANK AND OTHER BORROWINGS

As at 30 June 2020, the Group had bank and other borrowings as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Secured bank borrowings	203,500	203,850
Secured borrowing from a trust scheme	600,000	600,000
	<hr/>	<hr/>
	803,500	803,850

14. BANK AND OTHER BORROWINGS *(Continued)*

As at 30 June 2020, interest-bearing bank and other borrowings due for repayment were as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Carrying amounts repayable:		
Within 1 year	431,000	290,300
After 1 year but within 2 years	372,500	134,300
After 2 years but within 5 years	—	377,900
After 5 years	—	1,350
	803,500	803,850
Less: Current portion	(431,000)	(290,300)
Non-current portion	(372,500)	513,550

As at 30 June 2020, bank and other borrowings were interest bearing at 4.75% to 8.00% (2019: 4.35% to 8.00%) per annum.

A bank borrowing of Nil (2019: RMB10,350,000) was secured by certain investment properties (note 8). Bank borrowings of RMB203,500,000 (2019: RMB193,500,000) were secured by certain investment properties (note 8) and guaranteed by Mr. Chen Jun, the director and ultimate controlling party of the Company.

14. BANK AND OTHER BORROWINGS *(Continued)*

Borrowings amounting to RMB600,000,000 (2019: RMB600,000,000) payable to the trust scheme have been secured by land under development into properties for sale of the Group (note 8) and personal guarantees provided by Mr. Chen Jun, a controlling shareholder and director of the Company, and his spouse. As part of the arrangements for the other borrowing of RMB600,000,000 obtained from the trust scheme to which Ruiding (as one of the beneficiaries of the trust scheme) contributed RMB120,000,000 which is subordinated to the remaining scheme fund of RMB480,000,000 contributed by the other independent third party beneficiary of the trust scheme, Ruiding has also provided an unlimited guarantee in favour of the trust scheme for the repayments of the borrowing of RMB600,000,000 (2019: RMB600,000,000) and the interests thereon at the effective applicable rate of 6.49% per annum, payable by Qingdao Zhongtian. The principals of the Project Loan from the trust scheme will be repaid by Qingdao Zhongtian by the following instalments:

- RMB120,000,000 on 1 December 2020;
- RMB120,000,000 on 28 June 2021; and
- RMB360,000,000 on 28 June 2022

which shall be repaid by the Gas Operator to Qingdao Zhongtian as referred to Note 9.

In the opinions of the directors of the Company, neither the Company, the Group, any of directors of the Company nor the top management of the Group has any beneficial interests in and relationship with all the fund contributors and beneficiaries, including Ruiding, of the trust scheme.

15. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2020 (Unaudited) '000	31 December 2019 (Audited) '000	30 June 2020 (Unaudited) '000	31 December 2019 (Audited) '000
Authorised: Ordinary shares of HK\$0.01 each	10,000,000	10,000,000	100,000	100,000
Issued and fully paid: As at 1 January 2020/2019 and 30 June 2020/ 31 December 2019	410,209	410,209	3,667	3,667

16. COMMITMENTS

At the end of the Reporting Period, the Group had the following commitments:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Contracted but not provided for (note)	52,190	52,190

Note: As at 30 June 2020, contracted but not provided for capital commitments included amounts of RMB36,753,000 and RMB15,437,000 relating to the land under development into properties for sale and properties held as investment properties respectively.

17. EVENTS AFTER REPORTING PERIOD

(a) Termination of lease agreement

Subsequent to the end of the Reporting Period, the Group and a major tenant entered into a termination agreement to terminate the lease agreement with effect from 31 July 2020 (the "Termination"). On the same day, the Group entered into new lease agreements with new tenants. The Board considers that the Termination will not have a material adverse impact on the business and financial position of the Group.

(b) Disposal of property

On 21 August 2020, the Company entered into a sale and purchase agreement with an individual to sell a property at a consideration of RMB12,285,000. The property is located at 4th Floor, Unit 3, 38 Shandongtuo Road, Laoshan District, Qingdao, PRC. Completion of the sale and purchase of the property shall take place on or before 31 October 2020.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 31 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, the Group was principally engaged in two business segments, namely financial service and property.

Financial Service

On 17 July 2017, Qingdao Zhongtian Enterprise Development Co., Ltd. (“Qingdao Zhongtian”), an indirect wholly owned subsidiary of the Company, entered into a construction and procurement agreement with two independent third parties. Pursuant to the aforesaid agreement, as clarified by a supplemental agreement made on 26 March 2018, Qingdao Zhongtian was appointed to provide financing services, for a period of 10 years, and to obtain a loan facility of RMB600,000,000 from a designated trust scheme for the purpose of financing the purchase consideration of materials and equipments, for construction of a natural gas project located in Qingdao, the PRC. Under the aforesaid agreements, the Gas Operator (as a third party to the aforesaid agreements) shall bear all the obligations for the repayment of the loan principals, together with the interests accruing thereon, through Qingdao Zhongtian, to the trust scheme on 1 November 2020, 31 May 2021 and 31 May 2022, with each principal installment being RMB120,000,000, RMB120,000,000 and RMB360,000,000, respectively, and the interests accrued on a quarterly basis. This business segment is expected to contribute a stable long-term revenue to the Group.

Property

After the renovation of its investment properties in 2010 and further acquisition of new office premises in 2016, the Group leased its commercial properties to generate rental revenue, and there was a comparatively stable and growing revenue generated from the property segment. As at 30 June 2020, the details of the investment properties and land under development into properties for sale of the Group are as follows:

(a) Completed Properties held for leasing

All the commercial and office units in the composite building located at Laoshan District, Qingdao City, the PRC, were leased out under a lease agreement dated 18 May 2019, for the period between 1 June 2019 and 31 May 2021. An underground storage with gross floor area of 14.82 sq.m. has not been rented out. 243 underground car parking spaces in the composite building have been rented out on an hourly basis to tenants and visitors to the composite building.

Most of the units in the storey in a commercial building located at the Shinan District, Qingdao City, the PRC have been leased out. Lease agreements have been entered into with the tenants by the Group with an initial period ranging from 2 to 10 years.

(b) Land under Development

The land of the Company which is under development is situated within the Chengyang District in Qingdao City, the PRC. On 20 May 2019, the People's Government of Qingdao City (High-tech Zone) officially approved the entering into of the Agreement on Recovering the Land Use Right of State-owned Construction Land (Qing Gao Tu Chu Shou Zi [2019] No. 8) between Qingdao Municipal State-owned Land Resources and Housing Management Bureau (High-tech Zone) and the Group for the purpose of recovering the land use right of 36,311 square meters state-owned construction land in the land parcel of 91,165 square meters located at No. 877 Huihai Road held by the Group into reserve. The land expropriating compensation in aggregate amounted to RMB136,777,000 was paid by the Committee of Hetao Sub-district Office on Land Requisition and Reconstruction for supporting projects at the area adjacent to the Hongdao Station (河套街道辦事處紅島站周邊配套工程徵地拆遷建設工作指揮部) (the "Committee"). The remaining land use right of the state-owned construction land of 54,854 square meters still belongs to the Group.

To capitalise on the benefits of the change in the revised government town planning for the district where the Group's remaining land is situated, the Group has changed its overall plan for developing its remaining land into residential and commercial properties intended for sale.

(c) Renovation Service

There is no revenue from renovation services for the Reporting Period. The Company plans to carry on more intellectual upgrade renovation services to hotels and commercial buildings in the near future.

FINANCIAL REVIEW

Turnover

The Group's total turnover for the Reporting Period was approximately RMB19,062,000, representing an increase of approximately 161% from approximately RMB7,292,000 for the corresponding period in 2019. This was mainly attributable to the increase in rental income from the property segment from new rental agreements.

Other Revenue, Income and Other Net Gains

The Group's other revenue, income and other net gains for the Reporting Period were approximately RMB20,780,000 (corresponding period ended 30 June 2019: RMB19,221,000), representing an increase of approximately 8% as compared to the corresponding period in 2019. This was mainly attributable to the increase in interest income from loan receivable generated from the financial service segment.

Administrative Expenses

The Group's administrative expenses for the Reporting Period were approximately RMB5,806,000 (corresponding period ended 30 June 2019: approximately RMB4,051,000), representing an increase of approximately 43% over the corresponding period ended 30 June 2019. This was mainly attributable to the increase in other tax expenses in the Reporting Period.

Net Profit

During the Reporting Period, the Group recorded a net profit of approximately RMB6,422,000 representing a decrease of approximately 91% from the net profit of approximately RMB73,660,000 for the corresponding period ended 30 June 2019. The decrease was mainly attributable to the one-time gain in land expropriation and reversal of deferred tax liability arising from land expropriation for the six months ended 30 June 2019, which were not recurring in the Reporting Period.

BUSINESS REVIEW

Analysis by Business Segment

During the Reporting Period, the Group's principal source of income was derived from the property segment, which accounted for approximately 80.4% of the total turnover of the Group and the financial service segment contributed the remaining 19.6%. During the Reporting Period, all of the Group's income was derived from the Shandong Province, the PRC, which had accounted for 100% of the Group's total turnover.

FUTURE OUTLOOK

Commercial properties of the Group have commenced to generate stable and growing rental revenue and have become a major source of income for the Group.

As China has invested a substantial amount of funding in the innovation and research and development of clean energy, China has become the largest producer of clean energy in the world and has been promoting the development of clean energy industry of the world. The "Clean Energy Action" of the Chinese government has already created various positive effects on related industries and sectors. Under such circumstance, the Group has accelerated the deployment in the clean energy industry under the new financial service segment and is prepared to occupy market share leveraging on its own advantages and in response to its development demand.

After the outbreak of the novel coronavirus ("COVID-19"), China has adopted a series of prevention and control measures, including the regional traffic control and delayed resumption of factory production, etc. This has undoubtedly led to temporary negative impact to the economic activities. Given the resilience and potentials of China's economy in the long run, it is believed that long-term stable growth would remain unchanged.

DEBTS

As at 30 June 2020, the Group had secured bank and other borrowings of approximately RMB803,500,000 (31 December 2019: approximately RMB803,850,000).

Save as disclosed above, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease and mortgages.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the costs of business expansion and property investment. The Group principally finances its operation and investment from operating income, internal resources and bank borrowings.

As at 30 June 2020, the Group had cash and bank balances of approximately RMB10,829,000 (31 December 2019: approximately RMB10,987,000) all of which was held in Renminbi. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was approximately 195.4% (31 December 2019: approximately 198.4%).

During the Reporting Period, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since the Group mainly operates in the PRC, most of the revenue and transactions arising from its operations were settled in Renminbi and the Group's assets and liabilities are primarily denominated in Renminbi, the Directors believed that the Group would have sufficient foreign exchange measures to meet its foreign exchange requirements. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Reporting Period.

CHARGE ON ASSET AND CONTINGENT LIABILITIES

As at 30 June 2020, the investment properties with fair value of approximately RMB546,890,000 (31 December 2019: RMB549,060,000) and land under development into properties for sale of approximately RMB147,503,000 (31 December 2019: RMB147,503,000) were pledged for bank and other borrowings of the Group.

Save as disclosed above, the Group had no other material charge on assets and contingent liabilities as at 30 June 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 22 employees (31 December 2019: 17 employees). Most of the Group's employees are based in the head office of the Group in the Qingdao City of the Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Reporting Period was approximately RMB1,288,000 (six months ended 30 June 2019: approximately RMB1,272,000).

EVENTS AFTER THE REPORTING PERIOD

Except for as disclosed in Note 17 to the unaudited condensed consolidated interim financial statements, there was no material subsequent event of the Group after the Reporting Period and up to the date of the report.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long position in Shares

Name of Directors	Capacity	Number of Shares interested/held	Approximate percentage of Shareholding
Chen Jun	Beneficial owner	34,665,000	8.44%
	Interest of a controlled corporation (Note 1)	108,042,781	26.34%
	Interest of a controlled corporation (Note 2)	124,000,000	30.23%
Ms. Su Haiqing (Note 3)	Interest of spouse	266,702,781	65.01%

Notes:

- (1) Fine Mean Investments Limited is wholly-owned by Mr. Chen Jun, and held 108,042,781 Shares as beneficial owner as at 30 June 2020. Mr. Chen Jun is the sole director of Fine Mean Investments Limited. As such, Mr. Chen Jun is deemed, or taken to be, interested in all the Shares held by Fine Mean Investments Limited for the purposes of the SFO.
- (2) Vast Yield Holdings Limited is wholly-owned by Mr. Chen Jun, and held 124,000,000 Shares as beneficial owner as at 30 June 2020. Mr. Chen Jun is the sole director of Vast Yield Holdings Limited. As such, Mr. Chen Jun is deemed, or taken to be, interested in all the Shares held by Vast Yield Holdings Limited for the purposes of the SFO.
- (3) Ms. Su Haiqing is the spouse of Mr. Chen Jun. Under the SFO, Ms. Su Haiqing is deemed or taken to be interested in all the Shares in which Mr. Chen Jun has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long position in Shares and underlying Shares of the Company

Name of substantial Shareholder	Capacity	Number of Shares interested/held	Approximate shareholding percentage
Fine Mean Investments Limited	Beneficial owner	108,042,781	26.34%
Vast Yield Holdings Limited	Beneficial owner	124,000,000	30.23%
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) (Note 1)	Security interest	238,042,781	58.03%
Zhongtai International Asset Management Limited (Note 2)	Security interest	238,042,781	58.03%
Mr. Yuen Tze Chun (Note 3)	Receiver	238,042,781	58.03%
Ms. Ho Lai Ching (Note 4)	Interest of spouse	238,042,781	58.03%

Notes:

- (1) According to the disclosure of interest notice filed by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) , it had a security interest of 238,042,781 Shares.
- (2) According to the disclosure of interest notice filed by Zhongtai International Asset Management Limited, it had a security interest of 238,042,781 Shares.
- (3) According to the disclosure of interest notice filed by Mr. Yuen Tze Chun , he had been appointed as a receiver over the share charge on aggregate of 238,042,781 Shares.
- (4) Ms. Ho Lai Ching is the spouse of Mr. Yuen Tze Chun. Under the SFO, Ms. Ho Lai Ching is deemed or taken to be interested in all the Shares in which Mr. Chen Jun has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

INTERIM DIVIDEND

The Directors did not recommend payment of any interim dividend for the Reporting Period (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), comprising three independent non-executive Directors, namely Mr. Cui Haitao (chairman of the Audit Committee), Ms. Chan Chak Kwan and Mr. Liu Jin Lu, had reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group, the interim report and the internal controls and financial reporting matters including a review of the interim results of the Company for the Reporting Period.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) on 25 April 2005, comprising three independent non-executive Directors, namely Ms. Chan Chak Kwan, Mr. Liu Jin Lu and Mr. Cui Haitao. Mr. Liu Jin Lu serves as the chairman of the Remuneration Committee.

The Remuneration Committee had made recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration, reviewing and approving management’s remuneration proposal by reference to corporate goals and objectives resolved by the Board. No individual Director or any of his/her associates is allowed to involve in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company established a nomination committee (the “Nomination Committee”) on 28 March 2012, comprising two independent non-executive Directors, namely Mr. Cui Haitao and Ms. Chan Chak Kwan, and one executive Director, namely Mr. Chen Jun who serves as the chairman of the Nomination Committee.

During the period, the Nomination Committee had

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- assessed the independence of independent non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

By Order of the Board
Zhongtian International Limited
Chen Jun
Chairman

Qingdao City, Shandong Province, the PRC
31 August 2020

* *for identification purposes only*