Zhongzheng International Company Limited

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 943)

Annual Report 2021/2022

for the 18 Months Ended 30.06.2022

This Annual Report is printed on environmentally friendly paper

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Executive Directors
Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO)*
Mr. Liu Liyang
Mr. Gao Yuxiang
(resigned on 3 December 2021)

Non-executive Director
Mr. Lim Kim Chai, J.P.

Independent Non-executive Directors
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

AUDIT COMMITTEE
Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

REMUNERATION COMMITTEE
Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Qiu Qing
Mr. Lim Kim Chai

NOMINATION COMMITTEE
Mr. Leung Chung Shan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Qiu Qing

COMPANY SECRETARY
Mr. Situ Min

AUDITOR
ZHONGHUI ANDA CPA Limited
Unit 701-3 & 8, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Guangdong Huaxing Co., Ltd.

PRINCIPAL REGISTRAR
MUFG Fund Services (Bermuda) Limited
4/F North Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

BRANCH REGISTRAR
Union Registrars Limited
Suite 3301-4, 33/F,
Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street,
Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Room 1005,
Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai,
Hong Kong

STOCK CODE
943

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Chung Shan ("Mr. Leung")

(Chairman)

Mr. Leung, aged 62, was appointed as an executive Director and the chairman of both the Board and the Nomination Committee of the Company on 18 January 2018. Mr. Leung has extensive experience and business interests in the People's Republic of China (the "PRC") in the areas of infrastructure development, real estate properties and other areas. Mr. Leung commenced his investments in toll road projects in the early 1990s and began investing in property development in the PRC and Singapore in 1996. Mr. Leung was also the former chairman of the Board and an executive Director during the period between 1 February 2000 and 3 November 2008.

Mr. Tam Lup Wai, Franky ("Mr. Tam")

(Deputy Chairman)

Mr. Tam, aged 75, was appointed as executive Director of the Company on 17 December 2001 and the Chairman of the board of Directors of the Company on 21 July 2011. He was also appointed as a member of the remuneration committee of the Company on 3 July 2007 and the chairman of the nomination committee on 29 March 2012. Mr. Tam was re-designated as the deputy chairman of the Board and ceased to be the chairman of the Nomination Committee with effect from 18 January 2018. He is also the director of the following subsidiaries of the Company, namely, Big Advanced Holdings Limited, Dongguan Weihang Electrical Product Co. Limited, eForce Management Limited, Fairform Holdings Limited, Fairform Manufacturing Co. Limited, New Hong Kong Industrial Co. Limited, Qesco International (HK) Limited, and Smart Guard Limited. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Qiu Qing ("Mr. Qiu")
(CEO)
Mr. Qiu, aged 57, was appointed as executive Director and a member of each of the Remuneration Committee and the Nomination Committee of the Company on 17 April 2020; He was further appointed as the Chief Executive Officer ("CEO") of the Company on 16 July 2020. He is also director of the following subsidiaries of the Company, namely, Shenzhen Hongxing Zhanye Industrial Investment limited* (深圳市鸿兴展业实业投资有限公司) and Guangdong Zhongzheng City Development Management Co., Ltd.* (廣東中證城市發展管理有限公司), He was the director of Shenzhen Zhongzheng Ruifeng Management Limited* (深圳市中證瑞豐管理有限公司), a subsidiary of the Company, from May 2020 to November 2022. He has over 19 years of experience in real estate investment and development business. From October 2000 to October 2006, he served at CITIC South China (Group) Co., Ltd.* (中信華南(集團)有限公司), with his last position as the director of office of the company. From December 2004 to October 2007, he served as a deputy general manager of CITIC South China (Group) Dongguan Co., Ltd.* (中信華南(集團)東莞有限公司) and from October 2006 to October 2009, as a member of the party committee, secretary of the disciplinary committee, and deputy secretary of the party committee of CITIC Real Estate Co., Ltd.* (中信房地產股份有限公司) ("CITIC Real Estate"). Mr. Qiu was the general manager of Hainan Boao Investment Holdings Co., Ltd.* (海南博鼇投資控股有限公司) from October 2007 to October 2009. From October 2009 to April 2013, Mr. Qiu served as the vice president of CITIC Real Estate and the chairman of CITIC Real Estate Hainan Investment Co., Ltd.* (中信地產海南投資有限公司) ("CITIC Real Estate Hainan"), and also as a general manager of CITIC Pacific Hainan Company* (中信泰富海南公司). From April 2013 to July 2015, he served as the managing vice president of CITIC Real Estate and concurrently the chairman of CITIC Real Estate Hainan, CITIC Real Estate Shenzhen Investment Co., Ltd.* (中信地產深圳投資有限公司), and CITIC Real Estate Huizhou Investment Co., Ltd.* (中信地產惠州投資有限公司). Mr. Qiu is the founder, general manager and legal representative of Shenzhen Qianhai CITIC Securities City Development Management Co., Ltd.* (深圳市前海中證城市發展管理有限公司) since May 2014. Mr. Qiu obtained a bachelor of arts degree in journalism from Anhui University in China in 1988 and a master of law degree in journalism from Jinan University in China in 1994.

* *For identification purpose only*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Liyang ("Mr. Liu")

Mr. Liu, aged 62, was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer ("CEO") and a member of the remuneration committee of the Company on 19 August 2010. He was further appointed as a member of the nomination committee of the Company on 29 March 2012. He ceased to be the deputy chairman of Board with effect on 18 January 2018. And he ceased to be CEO and a member of each of the remuneration committee and the nomination committee of the Company with effect from 16 July 2020. He is also a director of Yixin Holdings Limited, a subsidiary of the Company. Mr. Liu has 17 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. Mr. Liu was an independent non executive director of Beautiful China Holdings Company Limited (stock code: 706), a company listed on the Main Board of the Stock Exchange, before February 2022.

NON-EXECUTIVE DIRECTOR

Mr. Lim Kim Chai, J.P. ("Mr. Lim")

Mr. Lim, aged 55, was appointed as Non-executive Director of the Company on 20 December 2019. He has over 14 years of experience in investment and property development business. He is the founder and the chairman of Yuk Tung Group, which focuses on the property development in Malaysia. Since the founding of the Yuk Tung Group in 2005, Mr. Lim has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., ("Pacific Memory") respectively, primarily responsible for the overall management and strategic development of the Yuk Tung Group. Mr. Lim was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 51, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 7 March 2014. Mr. Hau was a barrister-at-law in private practice in Hong Kong SAR from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr Hau is a solicitor.

Mr Hau was an independent non-executive director of hmvod Limited (formerly known as Trillion Grand Corporate Company Limited) (stock code: 8103), a company listed on GEM of the Stock Exchange, between March 2016 and August 2022, and an independent non-executive director of Fresh Express Delivery Holdings Group Co Ltd (stock code: 1175), a company listed on the Main Board of the Stock Exchange between January and August 2022. Currently, he is an independent non-executive director of China Zenith Chemical Group Limited (formerly known as Xinyang Maojian Group Limited) (stock code: 362), a company listed on the Main Board of the Stock Exchange.

Mr. Leung Chi Hung ("Mr. Leung Chi Hung")

Mr. Leung Chi Hung, aged 67, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 13 December 2013. Mr. Leung Chi Hung was further appointed as the chairman of the Remuneration Committee on 4 June 2018. Mr. Leung Chi Hung commenced his accountancy professional training since 1976 and is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung Chi Hung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (CPA).

Mr. Leung Chi Hung was an independent non-executive director of WT Group Holdings Limited (stock code: 8422) between December 2017 and May 2022, and of Finet Group Limited (stock code: 8317) between February 2011 and October 2022, both being listed on GEM of the Stock Exchange; and he was also an independent non-executive director of Evergreen International Holdings Limited (stock code: 238) between October 2020 and January 2022, which was a companies listed on the Main Board of the Stock Exchange. Currently, he is an independent non-executive Director of Daido Group Limited (stock code: 544), and REF Holdings Limited (stock code: 1631), both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Li Hon Kuen ("Mr. Li")
Mr. Li, aged 56, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewelry manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")
Mr. Sugahara, aged 59, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Limited, a wholly-owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing of health and household products. Mr. Sugahara has obtained a Bachelor Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")
Mr. Wong, aged 59, joined the Group in 1998. Mr. Wong is the Marketing Director of Fair form Manufacturing Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Situ Min ("Mr. Situ")
Mr. Situ, aged 53, is currently the Company Secretary and Chief Financial Officer of the Company. Before he joined the Company in June 2019, Mr. Situ served respectively as director of investment and Chief Financial Officer of China Traditional Chinese Medicine Holdings Co. Limited (Stock Code: 570) from October 2013 to December 2018. From September 2001 to February 2013, he served as the executive director and Chief Financial Officer for the same company with former name of Wing Shan International Limited and Winteam Pharmaceutical Group Limited. Mr. Situ is a fellow member of the Association of Chartered Certified Accountants and is also a member of Chinese Institute of Certified Public Accountants. He has extensive experience in financial management, corporate finance and corporate governance.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

CHANGES IN INFORMATION OF DIRECTORS

Since February 2022, Mr. Liu has ceased to be an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), a company listed on the Main Board of the Stock Exchange.

Since November 2022, Mr. Qiu has ceased to be the director of Shenzhen Zhongzheng Ruifeng Management Limited* (深圳市中證瑞豐管理有限公司), a subsidiary of the Company.

Since August 2022, Mr. Hau has ceased to be an independent non-executive director of hmvod Limited (formerly known as Trillion Grand Corporate Company Limited) (stock code: 8103), a company listed on GEM of the Stock Exchange.

Mr. Hau was an independent non-executive director of Fresh Express Delivery Holdings Group Co Ltd (stock code: 1175), a company listed on the Main Board of the Stock Exchange between January and August 2022.

Since January 2022, Mr. Leung Chi Hung has ceased to be an independent non-executive director of Evergreen International Holdings Limited (stock code: 238), a company listed on the Main Board of the Stock Exchange.

Since May 2022, Mr. Leung Chi Hung has ceased to be an independent non-executive director of WT Group Holdings Limited (stock code: 8422), a company listed on GEM of the Stock Exchange.

Since October 2022, Mr. Leung Chi Hung has ceased to be an independent non-executive director of Finet Group Limited (stock code: 8317), a company listed on GEM of the Stock Exchange.

Save as disclosed in this annual report, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2020 by the Company.

* *For identification purpose only*

On behalf of the Board of Directors (the "Board") of Zhongzheng International Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the eighteen months ended 30 June 2022 (the "Period").

REVIEW AND PROSPECT

Revenue of the Group for the Period amounted to approximately HK$208,995,000, as compared to HK$154,692,000 for the twelve months ended 31 December 2020, mainly due to increase of revenue of the Group's manufacturing business. The consolidated loss of the Group for the Period amounted to approximately HK$362,311,000 as compared to a loss of approximately HK$67,192,000 for the twelve months ended 31 December 2020 for the following reasons: (1) full impairment of the exploration and exploitation rights amounted to HK$108.0 million was recognized in respect of the coal mine project in Central Kalimantan Province in the Republic of Indonesia; (2) administrative expenses increased by HK$63.9 million, which were primarily the increase of salaries and the amortization of right-of-use assets along with the longer reporting period, Head Office's legal and professional fees, and advertising and marketing expenses incurred by the property development segment; (3) impairment of loan and interest receivables increased by HK$30.5 million, reflecting that the management believed that approximately $30.6 million of the loan and interest receivables from the Group's money lending business were considered as high risk of default during the Period; (4) share of results of associates decreased by HK$86.6 million with a loss of HK$83.7 million was recorded for the Group's 42.5% share of the primary land development project company, with approximately 90% of the loss caused by the finance costs of the project company; and (5) finance costs increased by HK$17.8 million, mainly driven by the interest expenses accrued from the shareholders loans and a personal short-term loan. More details on our financial performance for the Period can be found within the Management Discussion and Analysis and Financial Statement sections in this annual report.

During the Period, due to the tightening of home mortgage approval in the PRC, the cashflow of the property development projects and the primary land development projects were being adversely affected, and the proceeds from the sales of properties of these projects generated were not sufficient to settle the outstanding loans. So the Company intended to dispose the entire issued share capital of the disposal company, which is a wholly-owned subsidiary of the Company holding Luanping project, Nanjing Project and Dongguan Project. On 24 September 2021, a conditional sale and purchase agreement was entered into among the Company, Grand Prominent International Limited ("GPI", a wholly-owned subsidiary of the Company), Hong Kong Zhongzheng Huijing

Limited ("HK Huijin"), and Qianhai Zhongzheng (full name 深圳市前海中證城市發展管理有限公司, the parent company of HK Huijin) (the "Disposal Agreement"). On 7 December 2022, HK Huijin and Qianhai Zhongzheng still failed to proceed to Completion and no further supplemental agreement has been successfully reached by the parties. Therefore, on 3 January 2023, the Disposal has been terminated and will not proceed. For details of the Disposal, please refer to the section headed "Termination of the very substantial disposal" on page 25. As a result of the termination of the Disposal, the members of the Disposal Group remain as members of the Group and the financial results of the Disposal Group would continue to be consolidated into the financial statements of the Group.

For the Dongguan Project, construction has been completed, and a total gross floor area of 18,802 square meters with amount of approximately RMB652,552,053 have been sold. For the Nanjing Project, the cover of the first phase residential units have been completed by 90%, and 38 units have been signed in contracts (gross floor area of 6,090.38 square meters with amount of approximately RMB136,406,000).

For the primary land development project, the operations of all property development projects for Luanping County, including the Luanping Project, were suspended by the local government due to ecological environmental issues. As such, during the Period, only one land auction was carried out, with the area of the land plot being 6.255 mu and the price of the land being approximately RMB5,200,000.

The independent auditor has issued qualified opinions regarding interest in an associate and amount due from an associate for Luanping Project, and regarding the carrying value of the property under development and related prepayments for Nanjing Project. The details regarding these projects are set out set out under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW – Land and property development projects".

The Company will continue to explore the best way forward for the Disposal Group in maintaining and fostering their business operations.

The Group is optimistic in the outlook for the healthcare and household products business for the twelve months ended 30 June 2023. As new products are entering mass production, the Group expects the sales of approximately HK$180,000,000 for the whole year of 2022. The Group will continue to expand resources in the research and development capabilities to cope with increasing technical needs from our customers and to stay on top of the competition.

ACKNOWLEDGEMENTS
On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our Shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staffs in the previous years.

Leung Chung Shan
Chairman and Executive Director
5 May 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Results for the Period

Revenue of the Group for the Period amounted to approximately HK$208,995,000, as compared to HK$154,692,000 for the twelve months ended 31 December 2020.

The consolidated loss of the Group for the Period amounted to approximately HK$362,311,000 and a loss of approximately HK$67,192,000 was reported for the twelve months ended 31 December 2020.

The following is the review of the business of the Group for the Period and the outlook of the Group's business for the twelve months ending 30 June 2023.

Manufacture and sale of healthcare and household products

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

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

Revenue of the healthcare and household products business for the Period amounted to approximately HK$202,822,000 (the twelve months ended 31 December 2020: approximately HK$149,768,000). USA remained the largest market for this segment, accounting for approximately 76% of the revenue, driven by orders from an American multinational consumer goods corporation for kid's toothbrush and an American pharmaceutical company to replenish inventory. Europe and the United Kingdom accounted for approximately 13% of the Group's revenue from this segment, with the remaining 11% of the revenue derived from the PRC, Hong Kong and others.

The segment's gross profit margin for the Period was approximately 24.0%, which represents a drop of approximately 2.6% as compared to the gross profit margin for the segment for the year ended 31 December 2020. This was mainly due to the global shipping disruption caused by the Covid-19 pandemic, which led to tight manufacturing schedule as customers rushed to restock their inventory. In addition, there was inflationary pressure on the cost of raw materials, which further affected our gross profit margin.

Land and property development projects

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

Primary land development

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

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

Although the Group was given to understand that the government authority intended to resume land auctions on the Luanping Project with the clearance of the ecological environmental issues, the process had been delayed due to the prolonged prevalence of the Covid-19 pandemic and the changing market conditions. The delay in land auction for the Luanping Project has resulted in cash flow issue for the operation of the project. As at 30 June 2022, the outstanding borrowings in respect of the Luanping Project amounted to HK$1,346 million.

As at 30 June 2022, the carrying amount of the Group's interest in the Associate was at approximately HK$494,881,000. As at the same date, there was an amount due from the Associate of approximately HK$332,568,000. The Group has equity accounted for its interests in the Associate as a going concern as it expects that the operations of Chengde Development would be back to normal in the near future with the local government re-commence the land auction process on the Luanping Project.

Property development

The property development segment includes two property projects: the project in Nancheng District, Dongguan City, Guangdong Province (the "Dongguan Project"), and the Nanjing Project.

The Dongguan Project is called CITIC • Cloud Courtyard* (中證•雲庭), located in the Nancheng District, Dongguan City which is the area with the most mature supporting facilities and scarce housing supply in Dongguan City. The Dongguan Project is a small scale property development project which comprises two composite buildings comprising residential units and commercial units with GFA of approximately 23,410 sq.m. and 4,897 sq.m., respectively, and 178 car parking lots.

Dongguan Project Company (Dongguan Hexin Real Estate Development Co., Ltd., or 東莞禾信房地產開發有限公司) has commenced the pre-sale of the residential units since November 2020. It planned to commence the pre-sale of commercial units and car parking lots after selling all residential units. Given that the project is located at a prime area of Dongguan City, the management had expected that all saleable GFA of the projects (including residential units, commercial units and car parking lots) would have been sold in the first half of 2021. However, as a result of the tightening loan regulations for property developers, the stringent granting of home mortgages in the PRC and the resurgence of Covid-19 pandemic that largely limited the marketing activity, the project company had only sold approximately 70.7% of the total GFA of the residential units as of 30 June 2021 and did not achieve the desired sales target.

In view of this situation, the project company shifted from offline sales strategies, such as outreaching from core business districts, expanding the group purchasing, and targeted marketing in communities to digital sales strategies implemented through several major digital realty marketplaces, including online promotion and customer acquisition, electronic wallscape advertising and community advertising, and online customer onboarding. The digital strategies allowed the project company to break through reach limitations and respond to market demands in quicker manners, leading to further sales during the second half of 2021 and 2022.

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

– a total gross floor area of 18,802 square meters with amount of approximately RMB652,552,053 have been sold (or about 81.4% of total 242 residential units have been sold);

– construction has been completed;

– the fine decoration has been basically completed;

– the project planning acceptance has been completed;

– the main acceptance of fire protection acceptance of the project has been completed;

– the civil air defense acceptance has been completed.

The Nanjing Project is called Spring Breeze* ("泉悦春風") and located at Naishan ecological scenic area, Long Pao New City, Jiangbei New Area, Nanjing. The Nanjing Project is a large scale property development project comprises three phases and includes the development of low- rise comprehensive residential units, commercial buildings, hotel and other ancillary facilities covering a total gross floor area of approximately 340,000 sq.m. Nanjing Project Company (Nanjing Yuanding Real Estate Co., Ltd., or 南京源鼎置業有限公司) has commenced the pre-sale of phase- one residential units of the project covering a total GFA of approximately 43,464 sq.m. since June 2020. It planned to commence the pre-sale of car parking lots after selling all residential units. As a result of the unexpected change in the real estate policies, as of 30 June 2021, the project company had only 16 units signed in contracts with amount of approximately RMB59,716,000.

In view of the unsatisfactory sales performance, the project company formulated a more comprehensive marketing solution that covered online and offline strategies. The online advertisements were delivered through major real estate desktop and mobile platforms, WeChat media platform, etc. The offline marketing and promotion included, but were not limited to, advertisements on billboards and digital screens in subway stations and communities. These marketing strategies brought another 22 units signed in contracts with amount of approximately RMB76,690,000 during the second half of 2021 and the first half of 2022.

However, due to a funding shortage and the adverse impact of Covid-19 pandemic, the construction work of the first phase of the project was suspended since August 2022 and the sales were stagnant. The project company has not yet commenced the construction of the remaining phases of the project as at the date of this report.

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

– 26 units have been subscribed (gross floor area of 4,155.72 square meters with amount of approximately RMB97,805,000);

– 38 units have been signed in contracts (gross floor area of 6,090.38 square meters with amount of approximately RMB136,406,000);

– the cover of the first phase residential units have been completed by 90%;

– the construction of the main entrance landscape, hot spring experience area, sample house and landscape has been completed.

Subsequent to end of the Period, the secured bank loans (amounted to approximately HK$407,394,000 as at 30 June 2022) of the Nanjing Project Company was not repaid when fell due. The loan is fully secured by certain land use rights, 100% equity interest of the Nanjing Project Company (the Company holds 51% of the equity interest through its subsidiary), and a joint and several liability guarantee executed by the Company's subsidiary. The Group has been actively negotiating with the bank on a new repayment plan. It is expected that an extension agreement is likely to be reached between the bank and the Nanjing Project Company by 30 June 2023.

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

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

The Group's money lending segment generated revenue of approximately HK$6,173,000 for the Period (the twelve months ended 31 December 2020: HK$4,924,000). As at 30 June 2022, the total principal amount of the outstanding loans under the money lending business was approximately HK$49,291,000 (as at 31 December 2020: HK$72,791,000) before netting of discounting effects and impairment allowance.

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

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (31 December 2020: 6 to 12 months), with interest rates ranging from 7% – 24% per annum (31 December 2020: 7% – 24% per annum), depending on the individual credit evaluations of the borrowers. The loan principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

Credit risk management

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

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

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

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

Loan portfolio by size under the money lending business

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

	30 June 2022			31 December 2020		
	Number of borrowers	***HK$'000***	*%*	*Number of borrowers*	*HK$'000*	*%*
Principal amount of outstanding loans:						
Up to HK$5,000,000	**2**	**8,000**	**16.2**	3	11,500	15.8
Over HK$5,000,000 to HK$10,000,000 (inclusive)	**3**	**21,500**	**43.6**	3	21,500	29.5
Over HK$10,000,000	**1**	**19,791**	**40.2**	2	39,791	54.7
Total	**6**	**49,291**	**100.0**	8	72,791	100.0

Loan portfolio by security under the money lending business

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

	30 June 2022		31 December 2020	
	HK$'000	*%*	*HK$'000*	*%*
Principal amount of outstanding loans:				
Unsecured loans	**46,291**	**93.9**	69,791	95.9
Collateral-backed loan - property ownership right	**3,000**	**6.1**	3,000	4.1
Total	**49,291**	**100.0**	72,791	100.0

Maturity profile of loan portfolio under the money lending business

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

	30 June 2022		31 December 2020	
	HK$'000	*%*	*HK$'000*	*%*
Principal amount of outstanding loans:				
Past due	**24,500**	**49.7**	46,791	64.3
Due within three months	**24,791**	**50.3**	20,000	27.5
Due between three months and one year (inclusive)	–	–	6,000	8.2
Total	**49,291**	**100.0**	72,791	100.0

The assessment of impairment losses

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

– Stage 1: For loans that are not credit-impaired on initial recognition, the ECLs are measured on a 12-month basis (12-month ECLs);

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

– Stage 3: For loans that are in default and considered credit impaired, the ECLs are measured on a lifetime basis (lifetime ECLs credit-impaired).

Based on the limited volume of the advanced loans under the Group's money lending business, the impairment losses of the loans and interests receivables are assessed individually. As there have been a significant increase in credit risk with the occurrence of default events as of the date of this report, lifetime ECLs were recognised for the advanced loans. The management believed that the loans and interests receivables amounted to approximately HK$33,794,000 were considered as high risk of default and the impairment losses of approximately HK$30,628,000 were recognised during the Period. For the movements of the impairment, please refer to note 22.

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

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

In February 2023, the Group entered into settlement agreements with three other borrowers. The Group has waived 100% of the interest receivables of approximately HK$2,962,000 for one borrower and the principal amount of HK$6,000,000 was settled in full by that borrower in March 2023. As regards the remaining two borrowers with total outstanding loan principal and interest receivable of approximately HK$15,500,000 and HK$5,531,000 respectively, 70% interest receivables amounted to approximately HK$3,872,000 were waived and no future interest will be charged by the Group. As such, a discounting effect of HK$3,672,000 arising from remeasuring the present value of the balances were recognised in other losses during the Period. Also, the impairment losses of approximately HK$7,057,000 were recognised for the loan and interest receivables during the Period. 10% of the outstanding loan principal and interest receivables amounted to approximately HK$1,740,000 were repaid in February 2023 upon entering into the settlement agreements. The remaining loan principal and interest receivables will be repayable by three annual installments in January 2024, 2025 and 2026.

In March 2023, the Group initiated legal action against one borrower with an outstanding loan principal and interest receivable of approximately HK$5,000,000 and HK$877,000 respectively and the outcome of the legal action is still pending as of the date of this report. An impairment loss of approximately HK$4,498,000 was recognised for the loan and interest receivables during the Period.

Coal mining business

As disclosed in the announcement of the Company dated 26 April 2022, PT Bara Utama Persada Raya (a 99.98%-owned subsidiary of the Company) ("PT Bara"), holds a mining license (the "Mining License") of a coal mine ("PT Bara Mine") in the Central Kalimantan Province in the Republic of Indonesia. On 22 April 2022, PT Bara was notified by the Indonesian Government that the Mining License has been revoked and declared invalid with effect from the same date. Upon this, PT Bara has continuously negotiated with the relevant authorities for the purpose of reinstating the Mining License. In June 2022, having obtained legal advices that it is eligible to make an application to reinstate the Mining License, PT Bara submitted an application for the reinstatement of the Mining License to the relevant authorities.

Subsequent to this, further discussions on the application had been carried out between the Indonesian relevant authorities and supplemental information had been provided to the authorities. Despite this, to-date, there is not yet any outcome on the reinstatement application from the relevant authorities. Given the lapse of time and in light of the forthcoming 2024 new government election which may cause uncertainty in regulations in Indonesia, the legal adviser to PT Bara is of the opinion that the chance of the reinstatement of the Mining Licenses would be remote.

Based on the updated legal opinion, the Management considers it appropriate to impair in full the carrying amount of the Mining License of approximately HK$107,970,000 as at 30 June 2022, with a resultant same amount of impairment loss recognized in the consolidated statement of profit or loss and other comprehensive income for the Period. Despite the aforesaid impairment being made, the Management will continuously pursue the reinstatement application with the relevant local authorities to bring closure to the matter.

Given the circumstance, no capital expenditure was incurred on mining infrastructure as there was no development activity during the Period. Operating expenses related to the Group's coal mining business charged to the statement of profit or loss and other comprehensive income were mainly administrative expenses, amounting to approximately HK$1,252,000 for the Period (the twelve months ended 31 December 2020: HK$2,159,000).

The coal resource estimates as at 30 June 2022 were as follows:

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

As no exploration and mining activity had been carried out during the Period, there was no material change to the PT Bara Mine (save as disclosed above) since the end of 2020 and the coal resources estimates as at 30 June 2022 were the same as those recorded as at 31 December 2020. No review of the coal resources was carried out during the Period.

Prospect

Healthcare and household products business

The global shipping disruption caused by the Covid-19 pandemic and restrictions had a serious impact on customer orders, leading to dramatically increased logistics cost and unstable shipping schedule. However, the easing of restrictions in most parts of the world has created some normalcy for business operation. The Group will also continue to improve productivity and operational efficiency to lower production costs.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is optimistic in the outlook for the healthcare and household products business for the twelve months ending 30 June 2023. Existing projects are meeting the forecasts and a powered oral care private label program is growing rapidly with sales projection approaching HK$70 million. New adult electric toothbrushes are in full scale production in Q3 & Q4 2022. The new kids learning electrical toothbrush of a global brand will enter mass production stage from December for Q1 2023 sales at the largest U.S. retailer, with a further product upgrade under development for other major US retailers. The Group expects the sales of approximately HK$180,000,000 for the whole year of 2022. The outlook for 2023 is challenging as U.S. and Europe are experiencing economic downturn, with further slowing is likely as more countries fall into recession. Traditional products and powered kids toothbrushes will be hard hit as order commitments for Q1 2023 are low. New product innovations and retailer private label will be key growth drivers in 2023. A brand new market segment "mid-tier" kids electric toothbrush will enter mass production in November 2022. It is from a major U.S. oral care customer for launching into a multinational retail corporation in Q1 2023, with a sales projection approximately HK$8 million. The Group will continue to expand resources in the research and development capabilities to cope with increasing technical needs from our customers and to stay on top of the competition. In countering the swinging manufacturing costs, the Group continues to adopt revolutionary production designs, gearing for automation in production, optimizing greatest cost efficiency in output and quality.

Money lending business

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

Primary land development and property development business

In 2022, the PRC government has clarified the goal of real estate policy on "stabilizing land prices, housing prices and expectations", and highlighted "implementing policies based on the city". The housing finance has further warmed up on the whole, the interest rate of residential housing loans has decreased slightly, and the policies such as the Housing Provident Fund and the down payment requirement have been further loosened. The local governments have also made active efforts to support the healthy development of the property market. The number of cities with loose policies on purchase and sale of houses continued to increase. This is beneficial to the real estate industry and also has a positive impact on our Nanjing Project and Dongguan Project.

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

Coal mining business

The Management has determined that the reinstatement of the Mining License is remote. Therefore, it is believed that the coal mining business is very unlikely to resume operations for the twelve months ending 30 June 2023.

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 30 June 2022, the Group had cash and bank deposits of approximately HK$167,450,000 (31 December 2020: HK$177,095,000) with a foreign currency deposits denominated in Renminbi amounted to approximately HK$159,987,000 (31 December 2020: HK$169,810,000).

Current ratio

As at 30 June 2022, the Group had net current assets of approximately HK$147,721,000 (31 December 2020: HK$462,568,000) and current ratio (being current assets over current liabilities) of 1.05 (31 December 2020: 1.25).

Debts and borrowings

As at 30 June 2022, the Group had total debts and borrowings of approximately HK$1,522,014,000 (31 December 2020: HK$1,382,133,000) which mainly comprised of shareholder loan, unsecured loan from financial institutes and secured bank loan.

Gearing ratio

The Group's gearing ratio being total debt and borrowings over total equity is 149.9% (31 December 2020: 97.0%).

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

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

Fund Raising Activities

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

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

PLEDGE OF ASSETS

As at 30 June 2022, certain land and buildings, amounted to approximately HK$61,670,000 (as at 31 December 2020: approximately HK$59,060,000) of the Group were pledged to secure banking facilities granted to the Group. No trade and bills receivables of the Group (as at 31 December 2020: approximately HK$677,000) were pledged under factoring arrangement. Properties under development for sale of the Group amounted to approximately HK$539,326,000 (as at 31 December 2020: HK$332,727,000) were pledged to secure bank borrowings granted to the Group.

MATERIAL CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 20 employees (as at 31 December 2020: 29) in Hong Kong, 788 employees (as at 31 December 2020: 671) in the PRC and 1 employee (as at 31 December 2020: 1) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

Termination of the very substantial disposal

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

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

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

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

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

Recoverability of the Receivable of HK$86.4 million

During the course of audit of the 2022 Audited Annual Results, the independent auditors had raised issues on the recoverability of the Receivable of HK$86.4 million. As disclosed in the announcement of the Company dated 27 February 2023, the Company failed to reach a settlement plan with the counterparty. The Company has already commenced legal proceedings to recover the outstanding other receivable. As at the date of this report, the outcome of the legal actions is yet to be known.

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

MATERIAL DIFFERENCES BETWEEN 2022 PRELIMINARY 18-MONTH RESULTS AND 2022 UNAUDITED 18-MONTH RESULTS

Shareholders and potential investors of the Company are advised to pay attention to the differences between the financial information contained in 2022 Unaudited 18-month Results and 2022 Preliminary 18-month Results.

The Company has published an announcement in respect of the 2022 Unaudited 18-month Results on 19 October 2022. Since the financial information contained in the 2022 Unaudited 18-month Results was neither audited nor agreed with the Auditors as at the date of its publication, subsequent adjustments have been made to such information, and there were certain subsequent events occurred after the end of the Period as set out in this report, resulting in material differences between the financial information contained in 2022 Unaudited 18-month Results and 2022 Preliminary 18-month Results. In accordance with Rule13.49(3)(ii)(b) of the Listing Rules, the principal details and reasons for the material differences in such financial information are set forth below:

Material changes on consolidated statement of profit and loss and other comprehensive income

(i) the decrease in “cost of sales” of approximately HK$13.4 million (2022 Unaudited 18-month Results: HK$167.5 million; 2022 Preliminary 18-month Results: HK$154.1 million) were mainly due to the adjustment for absorption cost of direct labors in the manufactory for the healthcare and household products business;

(ii) the increase in “other income and other gains and losses” of approximately HK$16.2 million (2022 Unaudited 18-month Results: HK$1.3 million; 2022 Preliminary 18-month Results: HK$17.5 million) were mainly due to the combined effects of (1) the reclassification of discontinued operations to continuing operations and the consolidation of the financial results of the Disposal Group due to the termination of very substantial disposal of the Disposal Group involving off-market share buy-back and special deal (the “Disposal”); and (2) the waiver of loan interest receivables and the discounting effect of loan modification (recognition of other losses). For details please refer to the paragraphs headed “IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD- Termination of the very substantial disposal” and “BUSINESS REVIEW AND OUTLOOK - Money lending business” as set out in this report;

(iii) the impairment loss on exploration and evaluation assets of approximately HK$108.0 as shown in 2022 Preliminary 18-month Results (2022 Unaudited 18-month Results: HK$Nil) was related to the full impairment of the Mining License. For details, please refer to the paragraph headed “BUSINESS REVIEW AND OUTLOOK - Coal mining business” as set out in this report;

(iv) the impairment of loan and interest receivables of HK$30.6 million as shown in 2022 Preliminary 18-month Results (2022 Unaudited 18-month Results: HK$Nil) was related to the impairment of loan receivables after evaluation of the risk of default. For details, please refer to the paragraph headed “BUSINESS REVIEW AND OUTLOOK - Money lending business” as set out in this report; and

(v) other material differences between the financial information contained in the 2022 Unaudited 18-month Results and 2022 Preliminary 18-month Results were mainly due to the reclassification of discontinued operations to continuing operations and the consolidation of the financial results of the Disposal Group line by line due to the termination of Disposal. For details of the Disposal, please refer to the paragraph headed “IMPORTANT EVENTS AFTER THE END OF THE PERIOD - Termination of the very substantial disposal” as set out in this report.

Material changes on consolidated statement of financial position

(i) the increase in "Inventories" of approximately HK$13.0 million (2022 Unaudited 18-month Results: HK$21.9 million; 2022 Preliminary 18-month Results: HK$34.9 million) was mainly due to the adjustment for absorption cost of direct labors in the manufactory for the healthcare and household products business;

(ii) the decrease in "Exploration and evaluation assets" of approximately HK$108.0 million (2022 Unaudited 18-month Results: Nil) was related to the full impairment of the Mining License as discussed in 1(iii) above;

(iii) the decrease in "Loans and interests receivables" of approximately HK$42.2 million (2022 Unaudited 18-month Results: HK$61.5 million; 2022 Preliminary 18-month Results: HK$19.3 million) were related to the impairment of loan receivables after evaluation of the risk of default as discussed in 1(iv) above;

(iv) the decrease in "Reserves" of HK$10.9 million (2022 Unaudited 18-month Results: HK$1,000.4 million; 2022 Preliminary 18-month Results: HK$989.5 million) were the comprehensive effect from the variation between the audited and unaudited profit and loss results; and

(v) other material differences between the financial information contained in the 2022 Unaudited 18-month Results and 2022 Preliminary 18-month Results were mainly due to the reclassification of "non-current assets held for sale" as continuing operations and the consolidation of the financial results of the Disposal Group line by line due to the termination of Disposal, as discussed in 1(v) above.

Save as disclosed in this report and the corresponding adjustments related to the above material differences, there is no material change in other information contained in 2022 Unaudited 18-month Results.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Prospect" in this report, there were no other future plans for material investments or acquisition of capital assets as at 30 June 2022.

DIVIDENDS

The Board does not recommend any dividend for the Period (twelve months ended 31 December 2020: Nil).

INTRODUCTION

The board of directors of the Company (the "Board") commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the eighteen months ended 30 June 2022 except for the deviations as disclosed in this report. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the eighteen months ended 30 June 2022.

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control.

Following is the list of Directors during the year under review:

Executive Directors

Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO)*
Mr. Liu Liyang
Mr. Gao Yuxiang *(resigned on 3 December 2021)*

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent Non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

The profiles of the Directors' qualifications and experience are set out on pages 3 to 8 of this annual report and at least one of the INEDs possesses recognized professional qualification in accounting. The Board is of the view that its current composition provides the necessary skill and experience for the requirements of the Group's business.

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

During the eighteen months ended 30 June 2022, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the Provision A.4.1 stipulates that independent non-executive Directors ("INEDs") should be appointed for a specific term and subject to re-election. During the year under review, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As all director's appointment is subject to review when they are due for re-election, the Company is of the view that this meets the same objectives of the said code provision.

DIRECTORS' TRAINING

The Company had arranged and funded suitable training for the Directors to attend during the period under review. During the eighteen months ended 30 June 2022, all Directors had participated in continuous professional development to refresh their knowledge and skills and had provided the records of the training they received to the Company. The following table summarises the continuous professional development of each director had during the eighteen months ended 30 June 2022:

	Type of continuous professional development	
	Attending seminars/trainings on relevant industrial development, regulatory updates or directors' duties	Reading regulatory updates or information relevant to directors' duties
Executive Directors		
Mr. Leung Chung Shan	✓	✓
Mr. Tam Lup Wai, Franky	✓	✓
Mr. Qiu Qing	✓	✓
Mr. Liu Liyang	✓	✓
Mr. Gao Yuxiang *(resigned on 3 December 2021)*	N.A.	N.A.
Non-executive Director		
Mr. Lim Kim Chai, J.P.	✓	✓
Independent Non-executive Directors		
Mr. Hau Chi Kit	✓	✓
Mr. Leung Chi Hung	✓	✓
Mr. Li Hon Kuen	✓	✓

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. Following were the members during eighteen months ended 30 June 2022:

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

The Audit Committee has adopted 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, re-appointment or removal of the external auditor.

During the eighteen months ended 30 June 2022, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee had also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. Following were the members during eighteen months ended 30 June 2022:

Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Qiu Qing
Mr. Lim Kim Chai

The Remuneration Committee has adopted terms of reference which are in line with the Code to make recommendations to the Board to determine the remuneration of Directors and senior management. During eighteen months ended 30 June 2022, the Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 14 to the financial statements.

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. Following were the members during eighteen months ended 30 June 2022:

Mr. Leung Chung Shan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Qiu Qing

The Nomination Committee has adopted terms of reference which are in line with the Code. The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, assess the independence of INEDs, and develop and review the policy concerning diversity of the Board. During eighteen months ended 30 June 2022, the work performed by the Nomination Committee mainly included: (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; and (iii) reviewed and assessed the implementation of the Board Diversity Policy during the period.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity.

Based on the Nomination Committee's review for the period ended 30 June 2022, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

Currently, all Board members are male. The Board is considering to appoint at least one female Board member in order to achieve gender diversity at Board level.

The Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis in accordance with the code provision B.1.3 of the Corporate Governance Code.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Company's policies and practices on corporate governance;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(v) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BOARD, COMMITTEES AND OTHER MEETINGS

The following table summarises the total number of the meetings and the individual attendance of each Director during the eighteen months ended 30 June 2022:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	2021 Annual General Meeting	Special General Meeting on 2 December 2021
Executive Directors						
Mr. Leung Chung Shan *(Chairman)*	12/15	N/A	N/A	1/1	1/1	0/1
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*	15/15	N/A	N/A	N/A	1/1	1/1
Mr. Qiu Qing *(CEO)*	6/15	N/A	1/2	0/1	0/1	0/1
Mr. Liu Liyang	15/15	N/A	N/A	N/A	1/1	1/1
Mr. Gao Yuxiang [1]	3/15	N/A	N/A	N/A	1/1	0/1
Non-executive Director						
Mr. Lim Kim Chai, J.P.	7/15	N/A	2/2	N/A	1/1	0/1
Independent Non-executive Directors						
Mr. Leung Chi Hung	15/15	3/3	2/2	1/1	1/1	1/1
Mr. Hau Chi Kit	13/15	3/3	1/2	1/1	1/1	1/1
Mr. Li Hon Kuen	15/15	3/3	2/2	1/1	1/1	1/1

Notes:

1. Mr. Gao Yuxiang resigned on 3 December 2021

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

THE VIEW OF THE MANAGEMENT OF THE COMPANY, THE BOARD, AND THE AUDIT COMMITTEE OF THE BOARD ON THE AUDITORS' OPINION

The management of the Company ("Management"), the Board and the audit committee of the Board (the "Audit Committee") note the qualified opinion of the Auditors and basis of such qualified opinion and would like to set out below their responds thereto, including but not limited to the Company's plans to address the qualifications:

In respect of the qualified opinion

1. ***Exploration and evaluation assets***

   The Auditors have considered that, due to the uncertainty of the outcome of the application by BT Bara Utama Persada Raya (a 99.98%-owned subsidiary of the Company ("PT Bara") to reinstate the Mining License, they were unable to obtain adequate and sufficient audit evidence to satisfy themselves to the appropriateness of the recognition of full impairment loss of HK$107,970,000 for the Period and therefore, among other matters as more particularly discussed below in this section, they have qualified its audit opinion in this regard.

   View of the Management

   The Management considers the reinstatement of the Mining License to be remote and therefore an impairment loss of HK$107,970,000 was made on the exploration and evaluation assets for the Period. Further information on the reasons for the impairment is set out in the sub-section headed "Coal mining business" in the section headed "Management Discussion and Analysis" below.

   The Management acknowledges the basis of the qualification by the Auditors in respect of the impairment of the exploration and evaluation assets as the final outcome of the reinstatement application to the relevant authorities is yet to be known and, and accepts the Auditors' qualified opinion on this matter.

   View of Audit Committee

   The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the impairment of the exploration and evaluation assets. In the meanwhile, having taken account of the prevailing circumstance of the Mining License, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion
The Management considers the reinstatement of the Mining License to be remote. In order to bring closure to this matter, the Company will continue to use its best endeavours to follow up with relevant local authorities.

The Management expects that the Company will be in a position to ascertain the validity and the book value of the Mining License and this qualified opinion will be uplifted once the decision from relevant authorities, whether favourable or not, is received by the Company.

2. ***Interest in an associate and amount due from an associate***
The "interest in an associate and amount due from an associates" as referred to in the above qualified opinion of the Auditors is related to the Group's indirect 42.5% held associate, Chengde CITIC Securities Jinyu Investment Development Co., Ltd.* (承德中證金域投資開發有限公司) (the "Associate"). Further information on the Associate's operations and the Group's interests in the Associate is set out in the sub-section headed "Primary land development" in the section headed "Management Discussion and Analysis" below.

The Auditors are of the view that the Associate's continuing as a going concern is subject to the future sales of land and additional financing to be obtained by the Associate. The Auditors consider that, due to the change in condition of the property market in the PRC as well as the delay in land auction for the Luanping Project, they are unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the estimated schedule sale of land and the value-in-use value of the Associate. The Auditors also consider that they are unable to ascertain the recoverable amount of the Associate as at 30 June 2022 and whether any impairment should be made for the Associate and the accuracy of the share of loss during the Period. In addition, the Auditors consider that they are unable to ascertain whether the amount due from the Associate of approximately HK$332,568,000 can be recovered in full and whether any expected loss should be recognised for the Period and the validity of the interest income of approximately HK$18,571,000 recognised during the Period. As such, they have qualified its audit opinion in these regards.

View of the management of the Company
The Management anticipates progress meetings will be held with the local government on the land auction schedule for coming months. The Management is optimistic that the land auction will be resumed in the near future, which would generate cash flows for the Luanping Project's operation. As a result, the Management considers the estimated schedule of sales of land to be reasonable. Thus, the Management believes that no impairment shall be made on the interest in the Associate and the amount due from the Associate, and therefore no adjustment shall be made to the share of loss of the Associate and the interest income from the Associate for the Period.

* *For identification purpose only*

Having considered this, the Management acknowledges that the Associate's ability to continue as a going concern is dependent on the future sales of land and additional financing. In this respect, the Management acknowledges the basis of the qualification by the Auditors in respect of the interest in the Associate, amount due from the Associate, share of loss of the Associate and the interest income from the Associate recognised for the Period. The Management also accepts the Auditors' qualified opinion on this matter.

View of Audit Committee
The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the interest in the Associate, amount due from the Associate, share of loss of the Associate as well as the interest income from the Associate recognised in the Period. In the meanwhile, having taken account of the prevailing property market condition as well as the uncertainty in the resumption of land auction for the Luanping Project, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in these regards.

The Company's proposed plan to address the qualified opinion
The Company is striving to monitor and negotiate with the local government to crystallise the land auction schedule for coming months and in the near future. The Management expects that once the land auction for the Luanping Project is resumed the cash flow issue for the operation of the Lunaping Project would be alleviated and the basis for preparation of estimated schedules of sales of land would be more solid, thereby addressing this qualification.

3. ***Properties under development for sales and prepayments***
The Auditors have qualified their audit opinion regarding the carrying value of the property under development and related prepayments due to the failure of the Nanjing Project Company to settle certain bank borrowings as well as the temporarily suspension of the development of the project.

View of the management of the Company
Despite the present status of the Nanjing Project Company, as the related bank borrowings are fully secured by certain land use rights, 100% equity interest of the Nanjing Project Company (the Company holds 51% of the equity interest through its subsidiary), and a joint and several liability guarantee executed by the Company's subsidiary. The Group has been actively discussing with the bank with a view to agreeing on a new repayment plan and is optimistic about the outcome. Given this, the Management believes that no impairment shall be made to the properties under development for sales and the relevant prepayment.

Notwithstanding the above, the Management acknowledges the basis of the qualification by the Auditors in respect of the properties under development for sales and prepayment, and accepts the Auditors' qualified opinion on this matter.

View of Audit Committee
The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the properties under development for sales and prepayment. In the meanwhile, having taken account of the prevailing circumstances surrounding the Nanjing Project, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion
The Management will continue to negotiate with the bank and creditors to renew and extend the repayments of the borrowings, and obtain sufficient fundings to resume the construction work of the project.

Once the project company has secured financing and resumed the development of the property project, the qualified opinion regarding the carrying value of the property under development for sales and related prepayments will be removed.

4. Other receivable
The Auditors have qualified their audit opinion regarding recoverability of the Receivable (as defined in the Auditors' opinion) as at 30 June 2022, due to the uncertainty of the outcome of the legal action.

View of the management of the Company
The Management has made concerted efforts to recover the Receivable, and has taken further actions to pursue the recovery by due legal process. The Management acknowledges the basis of the qualification by the Auditors in respect of recoverability of the Receivable, and accepts the Auditors' qualified opinion on this matter.

View of Audit Committee
The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the Receivable. In the meanwhile, having taken account of the uncertainty regarding the outcome of the legal action, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

The Company's proposed plan to address the qualified opinion
Subsequent to the end of the Period, the Company has commenced legal proceedings to recover the Receivable. The management of the Company expects that this qualified opinion could be uplifted and relevant impairment (if any) could be made once the outcome of the legal action, whether favourable or not, is received by the Company.

In respect of the material uncertainty related to going concern

The Directors have carefully considered the future liquidity and performance of the Group. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

(a) in respect of the current portion of bank and other borrowings amounted to approximately HK$1,021.1 million as at 30 June 2022, the Group has been actively negotiating with the banks and other creditors and will continue to communicate with them for renewal and extension for repayments. The management of the Company believes that the possibility for the banks and other lenders to take any actions against the Company to recover for the overdue loans in the near future is low, given that:

   (i) the borrowings of approximately HK$607.2 million in relation to the Nanjing Project – the creditor has not taken any actions against the Company as at the date of this report. Based on the discussions with the creditor, the creditor understood the situation of the Nanjing Project and it would request the Company to repay the borrowings after the first phase of the project is sold;

   (ii) the borrowings of approximately HK$120.5 million in relation to the Nanjing Project – the borrowings are due to two companies which have long-term relationship with the Company and they have not taken any actions against the Company as at the date of this report;

   (iii) the bank borrowing of approximately HK$201.3 million in relation to the Nanjing Project – the bank borrowing is fully secured by certain land use rights, 100% equity interest of the Nanjing Project Company (the Company holds 51% of the equity interest through its subsidiary), and a joint and several liability guarantee executed by the Company's subsidiary. The Group has partially settled the bank borrowing of approximately HK$34.6 million. For the remaining parts, the Group has been actively negotiating with the bank on a new repayment plan. It is believed that the Company would be able to reach a settlement plan with the bank by 30 June 2023;

   (iv) the factoring financing of HK$46.9 million in relation to the Dongguan Project – the financing is secured by the corporate guarantee provided by a creditor. The amount was fully repaid in the second half of 2022;

   (v) the short-term borrowing of HK$22.4 million of the Company has been successfully extended;

   (vi) the borrowing of approximately HK$11.7 million in relation to the Dongguan Project – the borrowing is secured by a joint and several liability guarantee executed by the Company's subsidiary. The Group is actively communicating with the creditor and expects to reach a settlement plan with the creditor by 30 June 2023;

   (vii) the bank borrowing of approximately HK$6.2 million in relation to the healthcare and household products business segment – the Company has long-standing relationship with the bank. The Company is confident that the borrowing will be renewed when it falls due; and

(viii) the borrowing of approximately HK$4.9 million in relation to a Company's subsidiary – the creditor has long-term relationship with the Company and has not taken any actions against the Company as at the date of this report; and

(b) for the healthcare and household products business, the global shipping disruption caused by the Covid-19 pandemic and restrictions had an adverse impact on customer orders, leading to increased logistics cost and unstable shipping schedule during the Period. However, the Group is optimistic on the prospects of the healthcare and household products business given the easing of Covid-19 restrictions in most parts of the world and believes that this business segment can bring additional cashflow to the Group in the near future. On the other hand, the Group is implementing cost-saving measures to improve its operating cash flows and financial position, including significantly lowering the rents and cutting inefficient workforce.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this report after taking into account the impact of above measures, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of ZHONGHUI ANDA regarding their report responsibilities is set out in the Independent Auditor's Report on pages 52 to 57 of this annual report.

The service fees incurred/paid by the Group during the eighteen months ended 30 June 2022 and 2020 to ZHONGHUI ANDA were as follows:

	eighteen months ended 30 June 2022	2020
Audit service	**HK$1,400,000**	HK$930,000
Non-audit service	**HK$956,000**	HK$300,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness at least annually. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve our corporate objectives. On the other hand, the management is responsible for the design, implementation and maintenance of the risk management and internal control systems.

The Company has adopted a top-down strategic risk management approach and a complementary bottom-up operational risk management process. Risk management starts from the top level with the Board to determine the nature and extent of risk it is willing to take according to our corporate objectives and put them in context of the external environment in which our operations are.

The Executive Directors, as part of the management, are responsible for identifying principal risks and the key risk indicators to monitor in accordance with the strategy set by the Board. The Executive Directors are also responsible for delivering the strategic actions to the operational level. At the operational level, the Head of business units are responsible to execute the strategic actions and report on key risk indicators. Typically these are achieved by implementing sound internal control systems. Internal control system is defined as a system of control procedures for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Different internal control systems have be set up for the Group's different business units. And to monitor the effectiveness of these systems, the management has also set up an internal audit function.

Whilst responsibility for oversight of risk management rests with the Board, the effective day-to-day management of risk is embedded in all areas of our business and forms an integral part of our risk management system. As such, head of business units maintain regular communication with the Executive Directors to report current and emerging risks. Such bottom-up process ensures potential risks are identified and mitigated and significant risks escalated to the Board for consideration as appropriate.

In the eighteen months ended 30 June 2022, the Board through the Audit Committee and the internal audit function, had conducted a review of the effectiveness of material controls, including financial, operational and compliance controls, of the Group's major risk management and internal control systems and the Company considers these systems effective and adequate. The review process included formulating audit plan, approving audit program and reviewing internal audit function's working.

DISCLOSURE OF INSIDE INFORMATION

The Group has internal policy and procedures which strictly prohibit unauthorized use of inside information. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers are authorized to respond to external enquiries about the Group's affairs.

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 eighteen months ended 30 June 2022.

COMPANY SECRETARY

Mr. Situ Min had undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful channel for Shareholders to communicate with the Board. All Shareholders have at least 21 clear days' notice of annual general meeting at which Directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual Director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the Shareholders at a general meeting must be taken by poll.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Room 1005, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the eighteen months ended 30 June 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 41 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the eighteen months ended 30 June 2022 are set out in note 8 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the eighteen months ended 30 June 2022 including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Chairman's Statement and Management Discussion and Analysis which set out on pages 9 to 11 and pages 12 to 28 respectively of this Annual Report. Details about the Group's financial risk management are set out in note 6 to the Consolidated Financial Statements.

The Group is committed to adopt environmentally responsible practices throughout its operations. The key points of our environmental policy to achieve this are:

– Comply with all the environmental laws and regulations that relate to the Group's operations;

– Prevent the environmental impact of our products throughout their design and manufacturing process;

– Ensure every employee understands and is responsible for incorporating environmental considerations in their daily business activities; and

– Pursue continuous improvement in environmental performance.

The Company's principal subsidiary Dongguan Weihang Electrical Product Company Limited has been accredited with ISO 14001, an environmental management system certification, since 2007.

During the eighteen months ended 30 June 2022, the Group had complied with the relevant laws and regulations that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the eighteen months ended 30 June 2022 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	65%	–
Five largest customers in aggregate	91%	–
The largest supplier	–	9%
Five largest suppliers in aggregate	–	31%

At no time during the period have the Directors, their associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL RESULTS AND APPROPRIATIONS

The Group's results for the eighteen months ended 30 June 2022 and the state of the Group's affairs as at that date are set out in the financial statements on pages 58 to 136.

The Directors do not recommend the payment of a dividend in respect of the eighteen months ended 30 June 2022.

RESERVES

Details of movements in the reserves of the Company and of the Group during the eighteen months ended 30 June 2022 are set out in note 36 to the financial statements and the consolidated statement of changes in equity on page 62 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the period are set out in note 19 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries are set out in note 41 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the eighteen months ended 30 June 2022 are set out in note 35 to the financial statements.

CONVERTIBLE BONDS

The Company has no convertible bonds in issue during the eighteen months ended 30 June 2022.

DIRECTORS

As at the date of this report, the board of Directors of the Company (the "Board") comprises:

Executive Directors

Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO)*
Mr. Liu Liyang

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

Pursuant to Bye-law 87, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Qiu Qing, Mr. Lim Kim Chai, J.P. and Mr. Leung Chi Hung will retire from office by rotation and be eligible for re-election in the Company's forthcoming annual general meeting in 2023.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company was in force throughout the eighteen months ended 30 June 2022. The Company has undertaken Director and Officers Liability Insurance to provide such indemnity to all Directors of the Company.

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

As at 30 June 2022, except for Mr. Leung Chung Shan, the chairman and executive Director of the Company, Mr. Lim Kim Chai, the non-executive Director of the Company and Mr. Qiu Qing, being an executive Director and the CEO of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

The interests of Mr. Leung Chung Shan, Mr. Lim Kim Chai and Mr. Qiu Qing in shares of the Company as at 30 June 2022 was disclosed in the section titled "Substantial Shareholders' and Other Persons Interests and Short Positions in Shares and Underlying Shares."

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during the eighteen months ended 30 June 2022 under Share Option Scheme 2015.

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

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

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of Directors and the five highest paid individuals disclosed pursuant to section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 14 to the consolidated financial statements of the Group.

REMUNERATION POLICY OF DIRECTORS

The emoluments of the Directors are first reviewed by the Remuneration Committee and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

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

As at 30 June 2022, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of substantial shareholders in the shares and underlying shares

Name of Shareholders	Capacity	Number of Shares Held	Approximate % of Shareholding[1]
Leung Chung Shan[2]	Beneficial owner	4,233,534,364	39.48%
Shek Ying[3]	Interest of spouse	4,233,534,364	39.48%
Lim Kim Chai, J.P.[4]	Beneficial owner	1,569,420,951	14.64%
Qiu Qing[5,6]	Beneficial owner	1,259,861,773	11.75%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳天基南聯投資合夥企業 (有限合夥) ("TJNL")	Interest of controlled corporation	1,259,861,773	11.75%
Hong Kong Zhongzheng Investment Co. Ltd.	Interest of controlled corporation	1,259,861,773	11.75%
CITIC Securities Co., Ltd.[7] ("CITIC")	Interest of controlled corporation	678,387,108	6.33%

Notes

1. Based on 10,721,666,832 shares of the Company in issue as at the 30 June 2022.
2. Mr. Leung Chung Shan is the chairman and executive Director of the Company.
3. Ms. Shek Ying, being the spouse of Mr. Leung Chung Shan, is deemed to be interested in Mr. Leung Chung Shan's interest in the Company by virtue of the SFO.
4. Mr. Lim Kim Chai, J.P. is the non-executive Director of the Company.
5. The 1,259,861,773 shares which were deemed to be interested by Mr. Qiu Qing were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% interest in TJNL.
6. Mr. Qiu Qing is the executive Director of the Company.
7. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd*.

* *For identification purpose only*

Save as disclosed above, as at 30 June 2022, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACT

During the Period, the Company intended to dispose the entire issued share capital of the disposal company, which is a wholly-owned subsidiary of the Company holding Luanping project, Nanjing Project and Dongguan Project (the "Disposal"). On 24 September 2021, a conditional sale and purchase agreement was entered into among the Company, Grand Prominent International Limited ("GPI", a wholly-owned subsidiary of the Company), Hong Kong Zhongzheng Huijing Limited ("HK Huijin"), and Qianhai Zhongzheng (full name 深圳市前海中證城市發展管理有限公司, the parent company of HK Huijin) (the "Disposal Agreement"). For details of the Disposal, please refer to the paragraph headed "Termination of the very substantial disposal" below.

(i) the shareholding of Mr. Leung Chung Shan ("Mr. Leung"), an executive Director and the chairman of the Company, would be increased from approximately 39.48% to approximately 48.20% upon completion of the Disposal as a result of the buy-back and cancellation of 1,938,248,881 shares issued by the Company as part of the consideration for the acquisition of the then entire issued share capital of the Investment Company by GPI;

(ii) Mr. Qiu Qing ("Mr. Qiu"), an executive Director, owns 90% equity interest in 深圳市軒鑫投資合夥企業 (有限合夥) (transliterated as Shenzhen Xuanxin Investment Partnership (Limited Partnership), "SZ Xuanxin"), a company which in turns owns 46.15% effective interest in Qianhai Zhongzheng; and

(iii) part of the proceeds from the Disposal will be utilised to repay the loans in the aggregate principal amount of HK$250 million (the "Company Debt") to Mr. Lim Kim Chai ("Mr. Lim"), a non-executive Director, which constitutes a special deal under Rule 25 of the Hong Kong Code on Takeovers and Mergers (the "Special Deal").

As such, Mr. Leung, Mr. Qiu, and Mr. Lim are deemed to have material interests in the Disposal Agreement and the transactions contemplated thereunder.

Save as disclosed above, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the eighteen months ended 30 June 2022.

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$878,200,000 as at 30 June 2022, may be applied in paying up unissued shares of the Company to be issued to the Shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$626,537,000 as at 30 June 2022, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-law of the Company.

Save as disclosed above, the Company had no reserves available for distribution to Shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions for the year are set out in note 40 to the consolidated financial statements.

Other than disclosed elsewhere in the annual report, there were no transactions that need to be disclosed as connected transactions under Chapter 14A of the Listing Rules during the year under review and the Company has complied with the requirements in Chapter 14A of the Listing Rules.

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 eighteen months ended 30 June 2022.

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 30 June 2022 are set out in notes 29 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 137 of this annual report.

REPORT OF THE DIRECTORS

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (the "Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the eighteen months ended 30 June 2022, are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising three independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

The financial statements of the Company for the year under review have been audited by ZHONGHUI ANDA, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting in 2023.

By Order of the Board
Leung Chung Shan
Chairman and Executive Director

Hong Kong, 5 May 2023

INDEPENDENT AUDITOR'S REPORT

ZHONGHUI 中汇

TO THE SHAREHOLDERS OF
Zhongzheng International Company Limited
中證國際有限公司
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Zhongzheng International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 136, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2021 to 30 June 2022 (the "Period"), and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the Period then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Exploration and evaluation assets

As set out in note 18 to the consolidated financial statements, the mining license (the "Mining License") of the coal mine has been revoked and declared invalid by the Indonesian Government on 22 April 2022. The Group has submitted the application for reinstatement. The Group has yet to receive the decision from the relevant authorities on its application up to the date of this report. However, the management is in the view that the reinstatement of Mining License is remote. Full impairment of HK$107,970,000 was recognised for the Period. As the outcome of reinstatement of the Mining License is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to appropriateness of the recognition of full impairment loss of HK$107,970,000 for the Period.

2. Interest in an associate and amount due from an associate

Included in the consolidated financial statements is interest in an associate, Chengde CITIC Securities Jinyu Investment Development Co., Ltd (the "Associate") with carrying amount of approximately HK$494,881,000 as at 30 June 2022 and share of loss of approximately HK$83,747,000 for the Period. The Associate is engaged in primary land development in the People's Republic of China (the "PRC"). The Associate incurred significant loss for the Period and had not repaid certain borrowings according to their scheduled repayment dates. The Associate's continuing as a going concern is subject to the future sales of land and additional financing to be obtained. Due to the change in the condition of the property market in the PRC, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the estimated schedule for sales of land which is the major assumption adopted in the calculation of the value-in-use value of the Associate. As such, the value-in-use value of the Associate cannot be reliably measured. As a result, we are unable to ascertain the recoverable amount of the Associate as at 30 June 2022 and whether any impairment should be made for the Associate and the accuracy of the share of loss during the Period. In addition, we are unable to ascertain that the amount due from the Associate of approximately HK$332,568,000 as at 30 June 2022 can be recovered in full, whether any expected credit loss should be recognized for the Period and the validity of the interest income of approximately HK$18,571,000 recognised during the Period.

3. Properties under development for sales and prepayments

As mentioned in notes 24 and 29 to the consolidated financial statements, subsequent to end of reporting period, a non-wholly owned subsidiary, Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司) ("Yuanding") had defaulted the settlement of bank borrowings and the development of the properties (the "PUD") was temporarily suspended since August 2022. The carrying amount of the PUD of Yuanding was approximately HK$1,349,567,000 as at 30 June 2022. In estimating the net realizable value of the PUD, the management assumes that Yuanding is able to obtain further financing from financial institutes or potential investors and resume the development. However, due to the uncertainty in obtaining further financing from financial institute or potential investors, we were unable to evaluate the appropriateness of the estimation of future selling price and the costs to completion of the PUD. Thus, we are unable to determine whether the net realizable value of the PUD is higher than its carrying amount and any write down on PUD should be recognized for the Period. In addition, we are unable to determine the prepayments of approximately HK$25,947,000 which related to the PUD can be recovered in full.

4. **Other receivable**

As set out in note 25 to the consolidated financial statements, there was a consideration receivable (the "Receivable") of HK$86,400,000 included in trade and other receivables as at 30 June 2022. As at the date of this report, the Group failed to reach a satisfactory settlement plan with the counterparty. The Group has engaged lawyers to commence legal proceedings to recover the Receivable. Due to the fact that the outcome of the legal actions is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2022, and whether any impairment loss should be made for the Period.

Any adjustments to the figures as described from points 1 to 4 above might have consequential effects on the Group's results and cash flows for the Period and the financial position of the Group as at 30 June 2022, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the Group incurred a loss attributable to owners of the Company of approximately HK$347,517,000 for the Period and as at 30 June 2022, the Group's current portion of bank and other borrowings amounted to approximately HK$1,021,135,000, while its cash and bank balances and cash equivalents amounted to approximately HK$167,450,000. Further, subsequent to the end of reporting period, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances along with the situation as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the Key audit matters to be communicated in our report.

Interest in an associate

Refer to note 21 to the consolidated financial statements

The Group tested the amount of interests in Pacific Memory SDN BHD for impairment. This impairment test is significant to our audit because the balance of interests in associates of approximately HK$580,824,000 as at 30 June 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for interests in Pacific Memory SDN BHD is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence from points 1 to 4. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268
Hong Kong, 5 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2022

	Notes	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
Revenue		**202,822**	149,768
Interest revenue		**6,173**	4,924
Total revenue	*8*	**208,995**	154,692
Cost of sales		**(154,081)**	(109,920)
Gross profit		**54,914**	44,772
Other income and other gains and losses	*9*	**17,491**	6,286
Selling and distribution expenses		**(6,858)**	(6,699)
Administrative expenses		**(167,475)**	(103,534)
Loss from operations		**(101,928)**	(59,175)
Impairment loss on exploration and evaluation assets		**(107,970)**	(34,030)
Gain on bargain purchase		**–**	42,765
Impairment of loan and interest receivables		**(30,628)**	(166)
Share of results of associates		**(85,310)**	1,243
Finance costs	*11*	**(36,472)**	(18,638)
Loss before tax		**(362,308)**	(68,001)
Income tax (expense)/credit	*12*	**(3)**	809
Loss for the period/year	*13*	**(362,311)**	(67,192)
Loss for the period/year attributable to:			
Owners of the Company		**(347,517)**	(53,788)
Non-controlling interests		**(14,794)**	(13,404)
		(362,311)	(67,192)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2022

	Notes	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
Loss for the period/year		**(362,311)**	(67,192)
Other comprehensive (loss)/income:	17		
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(11,332)**	21,412
Share of associates' exchange differences on translating foreign operations		**(39,649)**	29,092
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**4,449**	3,084
Other comprehensive (loss)/income for the period/year, net of tax		**(46,532)**	53,588
Total comprehensive loss for the period/year		**(408,843)**	(13,604)
Total comprehensive loss for the period/year attributable to:			
Owners of the Company		**(394,046)**	(3,738)
Non-controlling interests		**(14,797)**	(9,866)
		(408,843)	(13,604)
Loss per share	16		
Basic (cents per share)		**(3.24)**	(0.50)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	At 30 June 2022 HK$'000	At 31 December 2020 HK$'000
Non-current assets			
Exploration and evaluation assets	18	–	107,970
Property, plant and equipment	19	70,536	68,854
Right-of-use assets	20	9,678	26,616
Interests in associates	21	1,075,705	1,200,663
Loans and interests receivables	22	6,431	–
		1,162,350	1,404,103
Current assets			
Inventories	23	34,930	19,073
Properties under development for sales	24	1,349,567	1,559,362
Properties held for sales	24	702,754	–
Trade and other receivables	25	336,783	303,521
Loans and interests receivables	22	12,853	89,674
Amounts due from associates	26	354,449	161,941
Current tax assets		938	938
Bank and cash balances	27	167,450	177,095
		2,959,724	2,311,604
Current liabilities			
Trade and other payables	28	(1,255,242)	(560,120)
Promissory note	30	(234,484)	(237,663)
Lease liabilities	32	(4,613)	(10,763)
Borrowings	29	(1,021,135)	(691,097)
Shareholders loans	31	(290,600)	(343,376)
Current tax liabilities		(5,929)	(6,017)
		(2,812,003)	(1,849,036)
Net current assets		147,721	462,568
Total assets less current liabilities		1,310,071	1,866,671

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	**At 30 June 2022** *HK$'000*	At 31 December 2020 *HK$'000*
Non-current liabilities			
Lease liabilities	*32*	**(6,125)**	(16,452)
Borrowings	*29*	**(210,279)**	(309,157)
Shareholders loans	*31*	**–**	(38,503)
Deferred tax liabilities	*33*	**(78,110)**	(77,666)
		(294,514)	(441,778)
NET ASSETS		**1,015,557**	1,424,893
Capital and reserves			
Share capital	*35*	**429**	429
Reserves	*36*	**989,518**	1,383,564
Equity attributable to owners of the Company		**989,947**	1,383,993
Non-controlling interests		**25,610**	40,900
TOTAL EQUITY		**1,015,557**	1,424,893

The consolidated financial statements on pages 58 to 136 were approved and authorised for issue by the board of directors on 5 May 2023 and are signed on its behalf by:

Tam Lup Wai, Franky
Director

Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the eighteen months ended 30 June 2022

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Foreign currency translation reserve *HK$'000*	Warrant reserve *HK$'000*	Other reserve *HK$'000*	Property revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2020	429	878,200	626,537	(63,475)	24,226	33,251	37,120	(148,557)	1,387,731	447	1,388,178
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	50,319	50,319
Total comprehensive income/(loss) for the year	–	–	–	46,966	–	–	3,084	(53,788)	(3,738)	(9,866)	(13,604)
At 31 December 2020	429	878,200	626,537	(16,509)	24,226	33,251	40,204	(202,345)	1,383,993	40,900	1,424,893
At 1 January 2021	**429**	**878,200**	**626,537**	**(16,509)**	**24,226**	**33,251**	**40,204**	**(202,345)**	**1,383,993**	**40,900**	**1,424,893**
Return of capital to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(493)**	**(493)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(50,978)**	**–**	**–**	**4,449**	**(347,517)**	**(394,046)**	**(14,797)**	**(408,843)**
At 30 June 2022	**429**	**878,200**	**626,537**	**(67,487)**	**24,226**	**33,251**	**44,653**	**(549,862)**	**989,947**	**25,610**	**1,015,557**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the eighteen months ended 30 June 2022

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before tax	**(362,308)**	(68,001)
Adjustments for:		
Share of results of associates	**85,310**	(1,243)
Finance costs	**36,472**	18,638
Interest income	**(25,433)**	(1,614)
Amortisation of right of use assets	**16,946**	10,187
Depreciation of property, plant and equipment	**6,654**	4,691
Impairment loss on exploration and evaluation assets	**107,970**	34,030
Waiver of loan interest receivables	**6,834**	–
Discounting of loan and interest receivables	**3,672**	–
Impairment of loan and interest receivables	**30,628**	166
Gain on bargain purchase	**–**	(42,765)
Written off of property, plant and equipment	**40**	–
(Gain)/loss on disposals of property, plant and equipment	**(32)**	972
Operating loss before working capital changes	**(93,247)**	(44,939)
Change in inventories	**(15,857)**	11,242
Change in trade receivables and other receivables	**(75,944)**	(13,185)
Change in loans and interests receivables	**23,083**	(45,523)
Change in properties under development for sales and properties held for sales	**(422,518)**	(307,806)
Change in trade and other payables	**767,911**	352,945
Change in investment at fair value through profit or loss	**–**	870
Cash generated from/(used in) operations	**183,428**	(46,396)
Interests received	**6,862**	1,614
Net cash generated from/(used in) operating activities	**190,290**	(44,782)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the eighteen months ended 30 June 2022

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Cash flows from investing activities		
Acquisition of subsidiaries	**–**	27,843
Purchase of property, plant and equipment	**(3,099)**	(2,738)
Proceeds from disposal of property, plant and equipment	**91**	–
Change in amounts due from associates	**(181,353)**	(112,191)
Net cash used in investing activities	**(184,361)**	(87,086)
Cash flows from financing activities		
New borrowings	**766,692**	385,599
Capital refunded to non-controlling interest	**(493)**	–
Repayment of borrowings	**(541,301)**	(345,954)
Advance from shareholders	**–**	469,340
Repayment of shareholders loans	**(112,686)**	(393,313)
Repayment of lease liabilities	**(18,960)**	(11,125)
Interests paid	**(84,891)**	–
Net cash generated from financing activities	**8,361**	104,547
Net increase/(decrease) in cash and cash equivalents	**14,290**	(27,321)
Cash and cash equivalents at the beginning of the period/year	**177,095**	166,852
Effect of changes in foreign exchange rate	**(23,935)**	37,564
Cash and cash equivalents at the end of the period/year	**167,450**	177,095
Analysis of cash and cash equivalents		
Bank and cash balances	**167,450**	177,095

1. GENERAL INFORMATION

Zhongzheng International Company Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Room 1005, 10/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively "the Group") for the eighteen months ended 30 June 2022 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

Pursuant to a resolution of the Board dated 30 December 2021, the Company's financial year end date has been changed from 31 December to 30 June commencing from financial year of 2021/2022. This will enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports given the change will:

(i) avoid competition of resources with other listed companies with regard to results announcement and report-related external services under the peak reporting season in the market; and

(ii) remove the uncertainty from the variation in the dates of the Chinese New Year Holiday which put pressure on the workflow.

The current financial statements cover a eighteen-months period ended 30 June 2022 and the comparative financial statements cover a twelve months year ended 31 December 2020. The comparative amounts are, therefore, not entirely comparable.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$347,517,000 for the Period and as at 30 June 2022, the Group's current portion of bank and other borrowings amounted to approximately HK$1,021,135,000, while its cash and bank balances and cash equivalents amounted to approximately HK$167,450,000. Further, as at 30 June 2022 and subsequent to that date, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the end of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

– the Group is negotiating with lenders to extend repayment of borrowings and interests;

– the Group is implementing cost-saving measures to improve its operating cash flows and financial position; and

– the Group is negotiating with potential investors to obtain new source of financing for the Group's properties development projects.

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 period beginning on 1 January 2021. 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.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings held by the Company which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2022. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non- controlling interests having a deficit balance.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, financial assets at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (Impairment of assets) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

Interest in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(b) Transactions and balances in each entity's financial statements (Continued)

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs/revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	30 years
Leasehold improvements	Shorter of unexpired lease term or estimated useful life
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	50%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses *(Continued)*

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and its joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories, properties under development for sales, properties held for sales and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis. This involves critical judgements. Details are explained in note 2 to the consolidated financial statements.

(b) *Split of land and building elements*

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment of exploration and evaluation assets*

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 4 to the consolidated financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

(b) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loans, and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Allowance for properties under development for sales and properties held for sales

The management estimates the net realisable value for properties under development for sales. Significant judgement is required by the management in determining the prices at which the properties will be sold as the property prices in the PRC may be, from time-to-time, affected by macroeconomic control measures executed by the PRC government.

(d) Fair value of land and buildings

The Group appointed an independent professional valuer to assess the fair value of the land and buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(f) Impairment of interests in associates and amounts due from associates

The interests in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the interests in associates exceeds their recoverable amounts. The recoverable amounts are determined with reference to the higher of value in use and fair value less costs of disposal. Where the recoverable amounts are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of recoverable amounts, a material impairment loss may arise.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

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 Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, amounts due from associates, trade, loans, interests and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 65% (31 December 2020: 56%) of the revenue for the period and shared over approximately 73% (31 December 2020: 90%) of the trade receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when the Group determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan and other receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Loans and interests receivables	Amounts due from associates	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 30 June 2022	**53,078**	**354,449**	**407,527**
Loss allowance	**(33,794)**	**–**	**(33,794)**
Carrying amount	**19,284**	**354,449**	**373,733**
Balance at 31 December 2020	92,840	161,941	254,781
Loss allowance	(3,166)	–	(3,166)
Carrying amount	89,674	161,941	251,615

	Loans and interests receivables	Amounts due from associates	Total
	HK$'000	*HK$'000*	*HK$'000*
Expected credit loss rate			
30 June 2022	64%	0%	8%
31 December 2020	3%	0%	1%

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	*HK$'000*	*HK$'000*
At 30 June 2022			
Borrowings	**1,064,184**	**211,619**	**3,128**
Shareholders loans	**290,600**	**–**	**–**
Promissory note	**234,484**	**–**	**–**
Trade and other payables	**323,903**	**–**	**–**
At 31 December 2020			
Borrowings	712,737	29,480	306,210
Shareholders loans	366,315	879	41,409
Promissory note	237,663	–	–
Trade and other payables	149,255	–	–

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, borrowings and unsecured other loans.

Secured bank and other loans are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits and borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 30 June 2022, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(f) Categories of financial instruments

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Financial assets		
Financial assets at amortised cost (including cash and cash equivalent)	**804,279**	691,447
Financial liabilities		
Financial liabilities at amortised cost	**2,056,041**	1,815,161

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 30 June:

	Fair value measurements using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2022**
Description	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Land and buildings	**–**	**–**	**61,670**	**61,670**

Disclosures of level in fair value hierarchy at 31 December:

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2020
Description	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	59,060	59,060

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Land and buildings	
	30 June 2022	31 December 2020
Description	***HK$'000***	*HK$'000*
At 1 January 2021/2020	**59,060**	53,153
Total gains recognised in other comprehensive income	**5,932**	4,111
Depreciation	**(2,605)**	(1,618)
Exchange difference	**(717)**	3,414
	61,670	59,060

The total gains recognised in other comprehensive income are presented in gain on property revaluation in the statement of profit or loss and other comprehensive income.

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 30 June 2022 HK$'000
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB1,400/m^2	Increase	
		Current cost of replacing the improvements	RMB1,550-1,970/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	53%	Decrease	**61,670**

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 31 December 2020 HK$'000
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB1,260-3,239/m^2	Increase	
		Current cost of replacing the improvements	RMB1,500/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	51%	Decrease	59,060

8. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised during the period/year represents manufacture and sales of healthcare and household products, and interest income from money lending business. An analysis of the Group's revenue for the period/year is as follows:

	1 January 2021 to 30 June 2022	Year Ended 31 December 2020
	HK$'000	*HK$'000*
Manufacture and sales of healthcare and household products	**202,822**	149,768
Interest income from money lending business	**6,173**	4,924
Total revenue	**208,995**	154,692

Note:

Disaggregation of revenue from contracts with customers:

Segments	**Healthcare & household products**	
	1 January 2021 to 30 June 2022	Year Ended 31 December 2020
	HK$'000	*HK$'000*
Geographical markets		
United States of America	**154,488**	108,559
The People's Republic of China (the "PRC")	**6,022**	10,933
Germany	**23,954**	14,711
France	**692**	914
United Kingdom	**1,881**	1,755
Hong Kong and others	**15,785**	12,896
Total	**202,822**	149,768

8. REVENUE *(Continued)*

Revenues from the sales of manufactured goods and trading of raw materials and moulds are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, cash on delivery may be required.

A receivable is recognised when the products are delivered to the customers as this is at the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Income from scrap sales	**959**	595
Interest income	**6,862**	1,614
Government grants	**–**	1,316
Interest income from an associate	**18,571**	–
Waiver of loan interest receivables *(note 22)*	**(6,834)**	–
Discounting of loan and interest receivables *(note 22)*	**(3,672)**	–
Gain/(loss) on disposals of property, plant and equipment	**32**	(972)
Others	**1,573**	3,733
	17,491	6,286

10. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has five (31 December 2020: five) reportable segments: property development, manufacturing and sales of healthcare and household products, coal mining business, money lending business and primary land development.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include net gain/loss on fair value of investment at fair value through profit or loss, impairment of loan receivables, gain on bargain purchase, impairment loss on exploration and evaluation assets and unallocated corporate income and expenses. Segment assets do not include investment at fair value through profit or loss and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

10. SEGMENT INFORMATION *(Continued)*

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

	Property development	Primary land development	Money lending business	Coal mining business	Healthcare and household business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1 January 2021 to 30 June 2022						
Revenue	**–**	**–**	**6,173**	**–**	**202,822**	**208,995**
Segment (loss)/profit	**(38,430)**	**(102,800)**	**(34,883)**	**(1,252)**	**(15,785)**	**(193,150)**
Finance costs	**(1,499)**	**(8,237)**	**–**	**–**	**(1,336)**	**(11,072)**
Depreciation	**(371)**	**(81)**	**–**	**–**	**(5,627)**	**(6,079)**
Impairment of assets	**–**	**–**	**–**	**(107,970)**	**–**	**(107,970)**
Income tax expense	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Additions to segment non-current assets	**396**	**–**	**–**	**–**	**2,701**	**3,097**
At 30 June 2022						
Segment assets	**2,422,963**	**817,734**	**19,340**	**–**	**161,736**	**3,421,773**
Segment liabilities	**2,243,121**	**114,880**	**–**	**–**	**127,558**	**2,485,559**
Year ended 31 December 2020:						
Revenue	–	–	4,924	–	149,768	154,692
Segment (loss)/profit	(32,528)	(3,710)	4,557	(2,159)	1,929	(31,911)
Finance costs	(694)	(884)	–	–	(856)	(2,434)
Depreciation	(141)	(1,067)	–	–	(3,843)	(5,051)
Impairment of assets	–	–	–	(34,030)	–	(34,030)
Income tax expense	–	–	–	–	(96)	(96)
Additions to segment non-current assets	18,764	–	–	–	1,969	20,733
At 31 December 2020:						
Segment assets	1,814,793	830,600	57,803	107,068	137,257	2,947,521
Segment liabilities	1,462,469	307,137	81	–	97,474	1,867,161

10. SEGMENT INFORMATION *(Continued)*

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

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Revenue:		
Healthcare and household business	**202,822**	149,768
Interest income from money lending business	**6,173**	4,924
Consolidated revenue for the period/year	**208,995**	154,692
Profit or loss:		
Total loss of reportable segments	**(193,150)**	(31,911)
Gain on bargain purchase	**–**	42,765
Share of results of associates	**(1,563)**	(1,155)
Impairment on exploration and evaluation assets	**(107,970)**	(34,030)
Finance costs	**(25,400)**	(16,204)
Corporate and unallocated loss	**(34,228)**	(26,657)
Consolidated loss for the period/year	**(362,311)**	(67,192)

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Assets:		
Total assets of reportable segments	**3,421,773**	2,947,521
Corporate and unallocated assets:		
– Bank and cash balances	**5,069**	229
– Interest in an associate	**580,824**	627,176
– Others	**114,408**	140,781
Consolidated total assets	**4,122,074**	3,715,707
Liabilities:		
Total liabilities of reportable segments	**2,485,559**	1,867,161
Corporate and unallocated liabilities		
– Shareholders loans	**290,600**	381,879
– Others	**330,358**	41,774
Consolidated total liabilities	**3,106,517**	2,290,814

10. SEGMENT INFORMATION *(Continued)*

Geographical information:

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Revenue:		
United States of America	**154,488**	108,559
The People's Republic of China (the "PRC")	**6,022**	10,933
Germany	**23,954**	14,711
France	**692**	914
United Kingdom	**1,881**	1,755
Japan	**–**	1,535
Hong Kong and others	**21,958**	16,285
	208,995	154,692

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for property development, primary land development and coal mining business for the period/year.

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Non-current assets:		
Indonesia	**847**	108,817
The PRC	**572,391**	656,346
Hong Kong and others	**582,681**	638,940
	1,155,919	1,404,103

10. SEGMENT INFORMATION *(Continued)*

Revenue from major customers:

Healthcare and household business segment	**1 January 2021 to 30 June 2022** *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Customer A	**131,308**	87,766
Customer B	**–***	26,255
Customer C	**36,516**	–*

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

* Customers individually contributed less than 10% of the total consolidated revenue of the Group.

11. FINANCE COSTS

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Interest on other loans	**32,969**	9,894
Interest on bank loans	**83,098**	21,602
Interests on shareholders loans	**23,855**	13,031
Loss on early settlement of shareholders loans	**–**	2,818
Leases interests	**2,494**	1,237
	142,416	48,582
Less: interest capitalised in properties under development for sale	**(105,944)**	(29,944)
	36,472	18,638

12. INCOME TAX (EXPENSE)/CREDIT

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the period/year	**(3)**	(96)
Hong Kong Profits Tax		
– Over-provision in prior years	**–**	905
	(3)	809

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 (year ended 31 December 2020: 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.

The reconciliation between the income tax (expense)/credit and the loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Loss before tax	**362,308**	68,001
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	**59,781**	11,220
Tax effect of non-taxable income	**322**	9,137
Tax effect of non-deductible expenses	**(38,754)**	(14,867)
Tax effect of utilisation of tax losses not previously recognised	**1,771**	–
Over-provision in prior year	**–**	905
Tax effect of tax losses not recognised	**(39,811)**	(6,523)
Effect of different tax rates of subsidiaries	**16,688**	937
Income tax (expense)/credit for the period/year	**(3)**	809

13. LOSS FOR THE PERIOD/YEAR

The Group's loss for the period/year is stated after charging the following:

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Auditor's remuneration	**1,400**	930
Cost of inventories sold#	**154,081**	109,920
Depreciation - property, plant and equipment	**6,654**	4,691
Depreciation - right of use assets	**16,946**	10,187
Waiver of loan interest receivables *(note 22)*	**6,834**	–
Discounting of loan and interest receivables *(note 22)*	**3,672**	–
Impairment on exploration and evaluation assets	**107,970**	34,030
Impairment of loan receivables *(note 22)*	**25,353**	–
Impairment of loan interest receivables *(note 22)*	**5,275**	166
Net exchange losses	**1,086**	740
Short term lease expenses	**131**	2,522
Research and development costs	**67**	52
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**102,505**	75,872
– Retirement benefits scheme contributions	**2,537**	553
	105,042	76,425

Cost of inventories sold includes staff costs and depreciation of approximately HK$34,277,000 in total (year ended 31 December 2020: approximately HK$32,482,000), which are included in the amounts disclosed separately above.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

1 January 2021 to 30 June 2022	*Notes*	**Fees** *HK$'000*	**Salaries and allowances** *HK$'000*	**Retirement benefits scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive Directors					
Mr. Leung Chung Shan		–	1,338	27	1,365
Mr. Tam Lup Wai, Franky		–	1,489	27	1,516
Mr. Liu Liyang		–	3,000	27	3,027
Mr. Gao Yuxiang	*b*	–	–	–	–
Mr. Qiu Qing		–	4,300	321	4,621
Non-executive Director					
Mr. Lim Kim Chai		–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		198	–	–	198
Mr. Leung Chi Hung		198	–	–	198
Mr. Li Hon Kuen		198	–	–	198
Total for the eighteen months ended 30 June 2022		**594**	**10,127**	**402**	**11,123**

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Year ended 31 December 2020	*Notes*	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Leung Chung Shan		–	1,183	18	1,201
Mr. Tam Lup Wai, Franky		–	1,315	18	1,333
Mr. Liu Liyang		–	3,001	18	3,019
Mr. Gao Yuxiang	*b*	–	–	–	–
Mr. Qiu Qing	*c*	–	1,617	11	1,628
Mr. Zhang Youjun	*d*	–	129	–	129
Mr. Chan Tat Ming, Thomas	*a*	–	601	18	619
Non-executive Director					
Mr. Lim Kim Chai		–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		132	–	–	132
Mr. Leung Chi Hung		132	–	–	132
Mr. Li Hon Kuen		132	–	–	132
Total for the year ended 31 December 2020		396	7,846	83	8,325

Notes:

a Resigned on 17 April 2020
b Appointed on 17 December 2020 & resigned on 3 December 2021
c Appointed on 17 April 2020
d Appointed on 17 April 2020 and resigned on 17 December 2020

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the period.

The five highest paid individuals in the Group during the period included three (year ended 31 December 2020: four) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining two (year ended 31 December 2020: one) individual is set out below:

	1 January 2021 to 30 June 2022 *HK$'000*	Year Ended 31 December 2020 *HK$'000*
Basic salaries and allowances	**2,745**	1,801
Retirement benefits scheme contributions	**356**	18
	3,101	1,819

The emoluments fell within the following bands:

	Number of individuals	
	1 January 2021 to 30 June 2022	Year Ended 31 December 2020
Emolument band:		
Nil - HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	2	1

During the period, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the eighteen months ended 30 June 2022 (year ended 31 December 2020: Nil).

16. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period/year attributable to owners of the Company of approximately HK$347,517,000 (2020: loss of approximately HK$53,788,000) and the weighted average number of ordinary shares of 10,721,667,000 (2020: 10,721,667,000) in issue during the period/year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the eighteen months ended 30 June 2022 and year ended 31 December 2020.

17. OTHER COMPREHENSIVE (LOSS)/INCOME

Items of other comprehensive income for the period/year with their respective related tax effects as follows:

	1 January 2021 to 30 June 2022			Year ended 31 December 2020		
	Amount before tax	**Tax**	**Amount after tax**	Amount before tax	Tax	Amount after tax
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translating foreign operations	**(11,332)**	**–**	**(11,332)**	21,412	–	21,412
Share of associates exchange differences on translating foreign operations	**(39,649)**	**–**	**(39,649)**	29,092	–	29,092
Gain on property revaluation	**5,932**	**(1,483)**	**4,449**	4,111	(1,027)	3,084
Other comprehensive income	**(45,049)**	**(1,483)**	**(46,532)**	54,615	(1,027)	53,588

18. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights *(note a)* *HK$'000*	Others *(note b)* *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2022	444,127	17,904	462,031
Accumulated impairment			
At 31 December 2019 and 1 January 2020	307,630	12,401	320,031
Impairment losses *(note c)*	32,711	1,319	34,030
At 31 December 2020	340,341	13,720	354,061
Impairment losses *(note d)*	103,786	4,184	107,970
At 30 June 2022	**444,127**	**17,904**	**462,031**
Carrying amount			
At 30 June 2022	–	–	–
At 31 December 2020	103,786	4,184	107,970

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

(a) This represents exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia.

(b) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(c) For the year ended 31 December 2020, in assessing whether impairment is required for the exploration and evaluation assets, the carrying value was compared with the respective recoverable amount. The recoverable amount was the higher of the asset's fair value less costs of disposal and value in use. The Group engaged an independent valuer, Graval Consulting Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach as consistent with last year's. The recoverable amount used in assessing the impairment loss was the fair value less costs of disposal. The fair value was determined by reference to the average coal price of actual market transactions multiplied by coal resources of the Group under level 2 fair value measurement.

Based on this evaluation, the recoverable amount of the exploration and evaluation assets was lower than its carrying amount at 31 December 2020. Accordingly, an impairment loss of approximately HK$34,030,000 was recognised for the year ended 31 December 2020.

(d) On 22 April 2022, the Group was notified by the Indonesian Government that the mining license ("Mining License") of the coal mine had been revoked and declared invalid with effect from the same date. The Company has submitted the application for the reinstatement. After obtaining a legal opinion advised by a local lawyer, the management is in the view that the reinstatement of the Mining License is remote. Therefore, the carrying amount of HK$107,970,000 as at 30 June 2022 was fully impaired.

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, office equipment and motor vehicles	Moulds and tools	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or Valuation						
At 31 December 2019 and 1 January 2020	53,153	1,862	26,926	30,843	30,982	143,766
Additions	–	–	1,634	1,038	66	2,738
Acquisition of subsidiaries	–	–	–	604	–	604
Revaluation	2,400	–	–	–	–	2,400
Disposals	–	–	(1,006)	(1,052)	(40)	(2,098)
Exchange differences	3,507	–	2,136	1,268	1,228	8,139
At 31 December 2020 and 1 January 2021	59,060	1,862	29,690	32,701	32,236	155,549
Additions	–	–	2,376	372	351	3,099
Revaluation	3,400	–	–	–	–	3,400
Written off	–	–	(367)	(33)	(26)	(426)
Disposals	–	–	–	(230)	(106)	(336)
Exchange differences	(790)	–	(518)	(275)	(267)	(1,850)
At 30 June 2022	**61,670**	**1,862**	**31,181**	**32,535**	**32,188**	**159,436**

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
Accumulated depreciation and impairment						
At 31 December 2019 and 1 January 2020	–	1,862	18,476	29,499	30,970	80,807
Charge for the year	1,618	–	1,263	1,758	52	4,691
Write back on revaluation	(1,711)	–	–	–	–	(1,711)
Disposals	–	–	(229)	(883)	(14)	(1,126)
Exchange differences	93	–	1,610	1,103	1,228	4,034
At 31 December 2020 and 1 January 2021	–	1,862	21,120	31,477	32,236	86,695
Charge for the period	2,605	–	2,262	1,193	594	6,654
Write back on revaluation	(2,532)	–	–	–	–	(2,532)
Written off	–	–	(335)	(31)	(20)	(386)
Disposals	–	–	–	(171)	(106)	(277)
Exchange differences	(73)	–	(404)	(261)	(516)	(1,254)
At 30 June 2022	**–**	**1,862**	**22,643**	**32,207**	**32,188**	**88,900**
Carrying amounts						
At 30 June 2022	**61,670**	**–**	**8,538**	**328**	**–**	**70,536**
At 31 December 2020	59,060	–	8,570	1,224	–	68,854

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the cost or valuation at 30 June 2022 of the above assets is as follows:

	Land and buildings *HK$'000*	**Leasehold improvements** *HK$'000*	**Plant and machinery** *HK$'000*	**Furniture, fixtures, office equipment and motor vehicles** *HK$'000*	**Moulds and tools** *HK$'000*	**Total** *HK$'000*
At cost	**–**	**1,862**	**31,181**	**32,535**	**32,188**	**97,766**
At valuation	**61,670**	**–**	**–**	**–**	**–**	**61,670**
	61,670	**1,862**	**31,181**	**32,535**	**32,188**	**159,436**

The analysis of the cost or valuation at 31 December 2020 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
At cost	–	1,862	29,690	32,701	32,236	96,489
At valuation	59,060	–	–	–	–	59,060
	59,060	1,862	29,690	32,701	32,236	155,549

(a) As at 30 June 2022, the Group's land and buildings were revalued by Graval Consulting Limited, an independent firm of professional valuer, on the open market value basis with reference to market evidence of recent transactions for similar properties.

The carrying amount of the Group's land and buildings would be approximately HK$8,086,000 (31 December 2020: approximately HK$9,548,000) had they been stated at cost less accumulated depreciation and impairment losses.

(b) As at 30 June 2022, certain land and buildings, amounted approximately HK$61,670,000 (31 December 2020: approximately HK$59,060,000) of the Group were pledged to secure banking facilities granted to the Group (note 38).

20. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	30 June 2022 HK$'000	31 December 2020 HK$'000
Right-of-use assets		
– Land and buildings	**9,560**	25,911
– Motor vehicles	**118**	705
	9,678	26,616

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	**5,246**	12,639
– Between 1 and 2 years	**1,583**	12,250
– Between 2 and 5 years	**5,831**	6,747
	12,660	31,636

	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
Depreciation charge of right-of-use assets		
– Land and buildings	**16,360**	9,689
– Motor vehicles	**586**	498
	16,946	10,187
Lease interests	**2,494**	1,237
Expenses related to short-term leases	**131**	2,522
Total cash outflow for leases	**18,960**	11,125
Additions to right-of-use assets	**–**	30,324

The Group leases land and buildings and motor vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

21. INTERESTS IN ASSOCIATES

	30 June 2022	31 December 2020
	HK$'000	*HK$'000*
Unlisted investment		
Share of net assets	**980,811**	1,104,482
Goodwill	**94,894**	96,181
	1,075,705	1,200,663

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

21. INTERESTS IN ASSOCIATES *(Continued)*

Name	Chengde CITIC Securities Jinyu Investment Development Co., Ltd (“CITIC Jinyu”)	Pacific Memory SDN BHD
Principal place of business/country of incorporation	PRC	Malaysia
Principal activity	Primary land development	Properties development in Malaysia
% ownership interest	42.5%	35%

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*	**30 June 2022** *HK$'000*	31 December 2020 *HK$'000*
Non-current assets	**3,642,265**	3,676,593	**–**	–
Current assets	**566,668**	607,269	**2,266,783**	2,441,036
Non-current liabilities	**(326,200)**	(357,588)	**(530,073)**	(570,903)
Current liabilities	**(2,798,284)**	(2,727,641)	**(77,214)**	(78,202)
Net assets (net of non-controlling interests)	**941,146**	1,123,073	**1,659,496**	1,791,931
Group's share of net assets	**399,987**	477,306	**580,824**	627,176

	1 January 2021 to 30 June 2022 *HK$'000*	Year ended 31 December 2020 *HK$'000*	**1 January 2021 to 30 June 2022** *HK$'000*	Year ended 31 December 2020 *HK$'000*
Revenue	**11,529**	199,134	**–**	–
(Loss)/profit for the period/year	**(219,689)**	6,270	**(4,465)**	(3,299)
Other comprehensive (loss)/income	**(5,425)**	34,907	**(127,970)**	42,231
Total comprehensive (loss)/income	**(225,114)**	41,177	**(132,435)**	38,932

22. LOANS AND INTERESTS RECEIVABLES

	30 June 2022	31 December 2020
	HK$'000	*HK$'000*
Loans receivables	**49,291**	72,791
Discounting *(note 9)*	**(3,315)**	–
Impairment allowance	**(28,353)**	(3,000)
	17,623	69,791
Interests receivables	**14,293**	20,049
Waiver of loan interest receivables *(note 9)*	**(6,834)**	–
Discounting *(note 9)*	**(357)**	–
Impairment allowance	**(5,441)**	(166)
	1,661	19,883
	19,284	89,674
Analysed for reporting purposes as:		
– Non-current assets	**6,431**	–
– Current assets	**12,853**	89,674
	19,284	89,674

22. LOANS AND INTERESTS RECEIVABLES *(Continued)*

The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	30 June 2022	31 December 2020
	HK$'000	*HK$'000*
7 to 12 months	–	29,800
Over 12 months	**17,623**	39,991
	17,623	69,791

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (31 December 2020: 6 to 12 months). The loans provided to borrowers bore interest rate ranging from 7% – 24% per annum (31 December 2020: 7% – 24% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

Loan receivables as at 30 June 2022 represented unsecured loans granted to independent third parties with principal amount of HK$49,291,000 (31 December 2020: HK$72,791,000) in total. The directors of the Company monitored the collectability of the loans receivables closely with reference to their respective current creditworthiness and repayment records. As at 30 June 2022, the management believes that these loan and interest receivables are considered fully recoverable except for HK$33,794,000 is considered as high risk of default.

On 31 August 2022, one of the borrowers with outstanding loan principal and interest of HK$19,792,000 and HK$3,557,000, respectively, were ordered to be wound up by the High Court. Since the credit risk is significantly increased, the impairment losses of HK$15,150,000 and HK$2,723,000 were recognised for loan and interest receivables, respectively.

22. LOANS AND INTERESTS RECEIVABLES *(Continued)*

In February 2023, the Group entered into settlement agreements with three borrowers. Based on the settlement agreements, the Group agreed to waive 100% interest receivable of HK$2,962,000 to one of the borrowers and the principal amount of HK$6,000,000 was fully settled in March 2023. For remaining two borrowers, 70% interest receivables of HK$3,872,000 were waived by the Group and no future interest will be charged by the Group. 10% outstanding loan principal and interest receivable will be repayable upon entering the settlement agreement. The remaining loan principal and interest receivables will be repayable by three annual installments in January 2024, 2025 and 2026. Therefore, a discounting effect of HK$3,672,000 arising from remeasuring the present value of the balances were recognised in other losses (note 9). In February 2023, the first payments of approximately HK$1,740,000 were settled.

In March 2023, the Group instigated legal action against one of the borrower with outstanding loan principal and interest of approximately HK$1,173,000 and HK$205,000 (after net off expected credit losses of HK$3,827,000 and HK$671,000) respectively. Up to the date of this report, the outcome of the legal action is still pending.

The movements in allowance for impairment of loans and interests receivables were as follows:

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Impairment allowance at 1 January 2021/2020	**3,166**	3,000
Impairment during the period/year	**30,628**	166
Total impairment allowance	**33,794**	3,166

23. INVENTORIES

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Raw materials	**8,765**	7,814
Work in progress	**5,449**	2,159
Finished goods	**20,716**	9,100
	34,930	19,073

24. PROPERTIES UNDER DEVELOPMENT FOR SALES AND PROPERTIES HELD FOR SALES

	30 June 2022 HK$'000	31 December 2020 HK$'000
(a) Properties under development for sales		
Cost		
At 1 January 2021/2020	**1,559,362**	–
Acquisition of subsidiaries	**–**	1,221,612
Additions	**528,463**	252,870
Transfer to properties held for sales	**(702,754)**	–
Effect of foreign exchange difference	**(35,504)**	84,880
At 30 June/31 December	**1,349,567**	1,559,362
Properties under development for sales of which:		
– Expected to be recovered within 1 year	**–**	226,593
– Expected to be recovered over 1 year	**1,349,567**	1,332,769
	1,349,567	1,559,362

As at 30 June 2022, the Group's properties under development for sales are situated in Nanjing, the PRC. The properties under development of HK$539,326,000 (31 December 2020: HK$332,727,000) were pledged to secure bank borrowings granted to the Group.

In August 2022, the construction of the properties under development of HK$1,349,567,000 was temporarily suspended by the Group.

(b) Properties held for sales

The Group's properties held for sales are situated in Dongguan, the PRC. All the properties held for sales are stated at lower of cost and net realisable value. In the opinion of the Directors, properties held for sales would be realised within 12 months.

25. TRADE AND OTHER RECEIVABLES

	Note	**30 June 2022 HK$'000**	31 December 2020 HK$'000
Trade receivables and bills receivables	*a*	**51,323**	38,889
Prepayment and deposits		**22,826**	14,968
Prepaid tax		**54,170**	46,110
Consideration receivable	*b*	**86,400**	86,400
Due from related companies	*c*	**102,634**	108,381
Other receivables		**19,430**	8,773
		336,783	303,521

	30 June 2022 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
a. Contract receivables (included in trade receivables)	**51,323**	38,889	39,706

b. In May 2019, the Group entered agreement to dispose of 100% equity interest in Ample One Limited to Access Sino Investment Limited ("Access Sino") at a consideration of HK$166,400,000. The first payment of HK$80,000,000 was received upon completion and the remaining consideration should be repayable in four instalments in January 2020, July 2020, January 2021 and July 2021 respectively. In January 2020 the Group entered into an extension agreement to extend the first instalment from January 2020 to July 2020. In July 2020, the Group and the Access Sino entered into another extension agreement to extend the first and second instalment to October 2020 and January 2021 respectively. In February 2021, the Group and Access Sino entered into another extension agreement to further extend the first, second and third instalments to July 2021 with interest at 6% interest per annum. In July 2021, Access Sino defaulted the settlement. In August 2021, HK$5 million interest was settled. As the Group is unable to reach satisfactory settlement plan with Access Sino, the Group has commenced legal action against Access Sino to recover the outstanding balance.

c. The amount due from related companies are interest free, unsecured and have no fixed term of repayment.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables and bills receivables

The Group allows an average credit period of 30 to 180 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	30 June 2022 HK$'000	31 December 2020 HK$'000
0 to 30 days	**18,298**	9,046
31 to 90 days	**26,800**	15,042
91 to 180 days	**5,164**	14,685
Over 180 days	**1,061**	116
	51,323	38,889

As at 30 June 2022, no trade receivables and bills receivables (31 December 2020: approximately HK$677,000) are assigned to a bank for a factoring loan facility as set out in notes 29 and 38 to the consolidated financial statements.

26. AMOUNTS DUE FROM ASSOCIATES

As at 30 June 2022, approximately HK$116,864,000 (31 December 2020: nil) are interest-bearing at 16% per annum and repayable within one year, the remaining amounts are unsecured, interest-free and have no fixed repayment terms.

27. BANK AND CASH BALANCES

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

	30 June 2022 HK$'000	31 December 2020 HK$'000
RMB	**159,987**	169,810
Hong Kong Dollar	**5,749**	2,796
US Dollar	**1,566**	4,323
Other currencies	**148**	166
Total	**167,450**	177,095

27. BANK AND CASH BALANCES *(Continued)*

As at 30 June 2022, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$159,987,000 (31 December 2020: approximately HK$169,810,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations. The bank and cash balances of approximately HK$146,311,000 (31 December 2020: approximately HK$152,247,000) are restricted in use and secured for the mortgage loans applied by the customers and will be released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans.

28. TRADE AND OTHER PAYABLES

	Note	30 June 2022 HK$'000	31 December 2020 HK$'000
Trade payables and bills payables	*a*	**54,872**	21,519
Accruals and other payables		**84,715**	45,120
Due to a related company	*b*	**107,521**	111,046
Loan interest payables		**51,028**	15,913
Non-refundable deposit received	*c*	**24,000**	–
Amounts due to directors		**1,767**	1,767
Contract liabilities	*d*	**931,339**	364,755
		1,255,242	560,120

a. Trade payables and bills payables

The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	30 June 2022 HK$'000	31 December 2020 HK$'000
0 to 30 days	**8,791**	5,455
31 to 90 days	**22,657**	7,446
91 to 180 days	**15,729**	7,454
Over 180 days	**7,695**	1,164
	54,872	21,519

28. TRADE AND OTHER PAYABLES *(Continued)*

b. Amounts due to a related company is unsecured, interest-free and repayable on demand.

c. On 28 February 2022, the parties to the disposal agreement in connection with the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited (the "Disposal") entered into a second supplemental agreement, pursuant to which, the parties agreed to extend the completion date to 31 May 2022 or such other date as the parties to the Disposal Agreement may agree. In consideration for the Company agreeing to extend the completion date, a non-refundable deposit of HK$24,000,000 was received. Upon completion, the deposit shall become part of payment of the cash consideration for the Disposal. Details are stated in Company's announcement date 28 February 2022. Subsequently, the Group entered several extension agreements to extend completion to 9 January 2023.

d. **Contract liabilities**

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Contract liabilities - Property and development	**931,339**	364,755

Transaction prices allocated to performance obligations unsatisfied at end of period/year and expected to be recognised as revenue in:

	30 June 2022 *HK$'000*
– 2023	**771,182**
– 2024	**160,157**
	931,339

	31 December 2020 *HK$'000*
– 2021	510,472
– 2022	25,858
	536,330

28. TRADE AND OTHER PAYABLES *(Continued)*

d. Contract liabilities *(Continued)*

Significant changes in contract liabilities during the period/year:

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	HK$'000	*HK$'000*
Increase due to operations in the period/year	**566,584**	364,755
Transfer of contract liabilities to revenue	**–**	–

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

29. BORROWINGS

	30 June 2022	31 December 2020
	HK$'000	*HK$'000*
Secured bank loans	**417,776**	309,157
Secured other loans	**58,621**	–
Unsecured other loans	**755,017**	691,097
	1,231,414	1,000,254
Analysed for reporting purposes as:		
– Non-current liabilities	**210,279**	309,157
– Current liabilities	**1,021,135**	691,097
	1,231,414	1,000,254
The Group's borrowings at the end of the reporting period were denominated in the following currencies:		
– RMB	**1,209,034**	997,874
– Hong Kong Dollar	**22,380**	2,380
Total	**1,231,414**	1,000,254

29. BORROWINGS *(Continued)*

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

	Bank Borrowings		**Other Borrowings**	
	30 June 2022	31 December 2020	**30 June 2022**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
– Within one year or on demand	**207,497**	–	**813,638**	691,097
– More than one year, but not exceeding two years	**207,289**	309,157	**–**	–
– More than two years, but not exceeding five years	**2,990**	–	**–**	–
Total	**417,776**	309,157	**813,638**	691,097

The secured bank loans represent loans which are secured by (i) individual and corporate guarantees of the related parties of certain subsidiaries; (ii) corporate guarantee of a subsidiary of the Company; (iii) 51% shareholding of a subsidiary; and (iv) certain land use rights. The loans are arranged at floating rate ranging from 5.75% to 7.50% (31 December 2020: 5.66% to 6.09%) and a fixed interest rate at 6.50% (31 December 2020: ranging from 8.00% to 9.57% per annum).

Subsequent to end of reporting period, a non-wholly owned subsidiary, Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司) ("Yuanding") defaulted the scheduled settlement of one of the secured bank loans of RMB347,466,000 (equivalent to HK$407,394,000). Yuanding has partially settled the bank borrowing of approximately HK$34,600,000. For the remaining parts, the Group has been actively negotiating with the bank on a new repayment plan. It is believed that the Company would be able to reach a settlement plan with the bank by 30 June 2023.

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

The unsecured loans represent loans which are interest bearing at a range from 2.2% to 18% per annum (31 December 2020: 4.75% to 12%) and repayable on demand.

As at 30 June 2022, the unsecured other loans of approximately HK$755,015,000 were due for repayment. Subsequent to the end of reporting period, approximately HK$22,380,000 has been successfully extended. Based on the long-term relationship and active communication with other creditors, they have not taken any actions against the Group as at the report date.

30. PROMISSORY NOTE

Upon the completion date of the acquisition of Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd and Dongguan Hexin Real Estate Development Co., Ltd on 19 March 2020, the Company issued a six months interest free Promissory Note ("PN") with a principal amount of approximately HK$234,484,000 (RMB200,000,000) as a part of the settlement of the consideration.

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

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

31. SHAREHOLDERS LOANS

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Shareholders loans	**290,600**	381,879
Analysed for reporting purposes as:		
– Non-current liabilities	**–**	38,503
– Current liabilities	**290,600**	343,376
	290,600	381,879

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

32. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	30 June 2022	31 December 2020	**30 June 2022**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**5,246**	12,639	**4,613**	10,763
In the second to fifth years, inclusive	**7,414**	18,997	**6,125**	16,452
	12,660	31,636		
Less: Future finance charges	**(1,922)**	(4,421)		
Present value of lease liabilities	**10,738**	27,215	**10,738**	27,215
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(4,613)**	(10,763)
Amount due for settlement after 12 months			**6,125**	16,452

At 30 June 2022, the effective borrowing rates were 1.80% to 18.00% (31 December 2020: 1.80% to 12.00%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group.

	Revaluation of acquisition of subsidiaries	Revaluation of land and buildings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	–	11,519	11,519
Debit to equity for the year	–	1,027	1,027
Acquisition of subsidiaries	59,315	–	59,315
Exchange differences	5,045	760	5,805
At 31 December 2020 and 1 January 2021	64,360	13,306	77,666
Debit to equity for the period	–	1,483	1,483
Exchange differences	(861)	(178)	(1,039)
At 30 June 2022	**63,499**	**14,611**	**78,110**

At the end of the reporting period, the Group has unused tax losses of approximately HK$173,108,000 (31 December 2020: HK$131,696,000) available for offset against future profits and such losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams.

34. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

35. SHARE CAPITAL

		Number of shares	Amount
	Notes		*HK$'000*
Authorised:			
Ordinary shares of HK$0.00004 each at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2022		25,000,000,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of HK$0.00004 each at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2022		10,721,666,832	429

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, accumulated losses and other reserves).

36. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Contributed surplus	Warrant reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	878,200	635,891	24,226	33,251	(390,075)	1,181,493
Loss for the year	–	–	–	–	(16,964)	(16,964)
At 31 December 2020	878,200	635,891	24,226	33,251	(407,039)	1,164,529
At 1 January 2021	878,200	635,891	24,226	33,251	(407,039)	1,164,529
Loss for the period	–	–	–	–	(21,279)	(21,279)
At 30 June 2022	878,200	635,891	24,226	33,251	(428,318)	1,143,250

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

36. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(ii) Contributed surplus (Continued)

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(v) Property revaluation reserve

Property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 4 to the consolidated financial statements.

(vi) Other reserve

The other reserve comprises all the effect of discounting of shareholders' loan which are not due or payable within one year.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	30 June 2022 *HK$'000*	31 December 2020 *HK$'000*
Non-current assets		
Investments in subsidiaries	**1**	1
Current assets		
Amounts due from subsidiaries	**1,412,034**	1,405,326
Other current assets	**165,720**	151,746
Bank and cash balances	**4,010**	105
	1,581,764	1,557,177
Current liabilities		
Amounts due to subsidiaries	**(87,952)**	(85,435)
Borrowings	**(22,380)**	(2,380)
Shareholders loans	**(290,600)**	(248,970)
Other current liabilities	**(37,154)**	(16,932)
	(438,086)	(353,717)
Net current assets	**1,143,678**	1,203,460
Total assets less current liabilities	**1,143,679**	1,203,461
Non-current liabilities		
Shareholders loans	**–**	(38,503)
	–	(38,503)
NET ASSETS	**1,143,679**	1,164,958
Capital and reserves		
Share capital	**429**	429
Reserves	**1,143,250**	1,164,529
TOTAL EQUITY	**1,143,679**	1,164,958

38. BANKING FACILITIES

At 30 June 2022, the Group had banking facilities amounted to approximately HK$42,173,000 (31 December 2020: approximately HK$42,649,000), which were secured by the followings:

(a) certain land and buildings, amounted approximately HK$61,670,000 (31 December 2020: approximately HK$59,060,000) of the Group were pledged to secure banking facilities granted to the Group (note 19); and

(b) guarantee for an unlimited amount duly executed by the Company.

At 30 June 2022, the Group had available approximately HK$31,773,000 (31 December 2020: approximately HK$32,249,000) undrawn borrowing facilities.

39. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the period/year:

	Promissory note	Shareholders loans	Borrowings	Lease liabilities	Total liabilities from financing activities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	–	307,525	12,796	6,964	327,285
Changes in cash flows	–	76,027	39,645	(11,125)	104,547
Non-cash changes					
– interest charged	–	15,849	31,496	1,237	48,582
– additions to right-of-use assets	–	–	–	30,324	30,324
– acquisition of subsidiaries	219,032	–	903,974	–	1,123,006
– exchange difference	18,631	(17,522)	12,343	(185)	13,267
At 31 December 2020 and 1 January 2021	237,663	381,879	1,000,254	27,215	1,647,011
Changes in cash flows	–	(112,686)	225,391	(18,960)	93,745
Non-cash changes					
– interest charged	–	23,855	25,511	2,494	51,860
– exchange difference	(3,179)	(2,448)	(19,742)	(11)	(25,380)
At 30 June 2022	**234,484**	**290,600**	**1,231,414**	**10,738**	**1,767,236**

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had no other transactions and balances with its related parties during the period/year.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the period/year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Type of legal entity	Issued/ paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities and place of operation
Dongguan Weihang Electrical Product Company Limited	The PRC	Limited liability company	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products in the PRC
eForce Management Limited	Hong Kong		Ordinary shares of HK$2	100%	–	Provision of management services in Hong Kong
Fairform Group Limited	BVI		15,700,200 shares of US$1 each	100%	–	Investment holding in the PRC
Fairform Manufacturing Company Limited	Hong Kong		Ordinary shares of HK$138,750,000 and non-voting deferred shares of HK$250,000	–	100%	Manufacturing and trading of healthcare and household products in the PRC
Gainford Internationals Inc.	BVI		50 shares of US$1 each	–	100%	Investment holding in the PRC
Oasis Global Limited	BVI		10 shares of US$1 each	–	100%	Trademark holding in Hong Kong
PT Bara Utama Persada Raya	Republic of Indonesia		4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession in Indonesia

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Type of legal entity	Issued/ paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities and place of operation
PT Karya Dasar Bumi	Republic of Indonesia		1,000 shares of IDR1,000,000 each	–	100%	Investment holding in Indonesia
Yixin Holdings Limited	Hong Kong		Ordinary share of HK$1	100%	–	Money lending in Hong Kong
香港中證城市投資有限公司	BVI		10,000 shares of HK$1 each	–	100%	Investment holding in the PRC
Hong Kong Zhongzheng Industrial Development Limited	Hong Kong		Ordinary share of HK$1,000	–	100%	Investment holding in the PRC
深圳市中證瑞豐管理有限公司	The PRC	Limited liability company	Registered capital RMB3,880,000	–	100%	Investment holding in the PRC
承德中證豐達建設開發有限公司	The PRC	Limited liability company	Registered capital RMB50,000,000	–	100%	Investment holding in the PRC
廣東中證城市發展管理有限公司	The PRC	Limited liability company	Registered capital RMB2,550,000	–	51%	Land development in the PRC
深圳市中證鵬豐管理有限公司	The PRC	Limited liability company	Registered capital RMB10,000,000	–	100%	Land development in the PRC
深圳市信證致遠創業投資有限公司	The PRC	Limited liability company	Registered capital RMB10,000,000 RMB2,550,000	–	100%	Fund management in the PRC
深圳市鴻興展業實業投資有限公司	The PRC	Limited liability company	Registered capital of RMB10,000,000	–	100%	Investment holding in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eighteen months ended 30 June 2022

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Type of legal entity	Issued/ paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Percentage of the ownership interest/ voting power Indirect	Principal activities and place of operation
東莞禾信房地產開發有限公司	The PRC	Limited liability company	Registered capital RMB10,100,000	–	100%	Property development in the PRC
南京源鼎置業有限公司	The PRC	Limited liability company	Registered capital RMB40,000,000	–	51%	Property development in the PRC

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriated, it set out below:

	For the year ended 31 December				For the eighteen months ended 30 June
	2017	2018	2019	2020	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	199,218	299,117	205,781	154,692	**208,995**
Operating (loss)/profit after finance costs	(44,190)	58,367	(43,767)	(69,244)	**(276,998)**
Share of results of associates	–	(1,090)	(27,125)	1,243	**(85,310)**
(Loss)/profit before tax	(44,190)	57,277	(70,892)	(68,001)	**(362,308)**
Income tax (expense)/credit	(185)	(2,338)	(1,026)	809	**(3)**
(Loss)/profit for the year/period	(44,375)	54,939	(71,918)	(67,192)	**(362,311)**
Attributable to:					
Owners of the Company	(43,664)	55,386	(70,485)	(53,788)	**(347,517)**
Non-controlling interests	(711)	(447)	(1,433)	(13,404)	**(14,794)**
	(44,375)	54,939	(71,918)	(67,192)	**(362,311)**

	As at 31 December				As at 30 June
	2017	2018	2019	2020	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	1,022,605	1,383,403	1,825,163	3,715,707	**4,122,074**
Total liabilities	(149,517)	(165,852)	(436,985)	2,290,814	**(3,106,517)**
Net assets	873,088	1,217,551	1,388,178	1,424,893	**1,015,557**
Equity attributable to:					
Owners of the Company	869,843	1,214,716	1,387,731	1,383,993	**989,947**
Non-controlling interests	3,245	2,835	447	40,900	**25,610**
	873,088	1,217,551	1,388,178	1,424,893	**1,015,557**

SUMMARY OF PROPERTIES UNDER DEVELOPMENT FOR SALES AND PROPERTIES HELD FOR SALES

At 30 June 2022

	Location	Intended use	Stage of Completion	Expected completion Date	Equity interest	Gross floor area (sq. m.)
1.	Naishan, Donggou Town, Liuhe District, Nanjing City Jiangsu Province, the People's Republic of China	Residential, commercial and hotel development	The cover of the first phase residential units have been completed by 90%	2025	51%	292,000
2.	Northern side of Guantai Avenue, Zhouxi Community, Nancheng Jiedao, Dongguan City Guangdong Province, the People's Republic of China	Residential and commercial	Completed	Completed	100%	28,307