ZHONGZHENG INTERNATIONAL COMPANY LIMITED
中證國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 943)

(1) PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023 AND (2) RESUMPTION OF TRADING

Reference is made to the announcements of Zhongzheng International Company Limited (the "**Company**") dated 28 September 2023 (the "**Announcement**"), 3 October 2023, 4 October 2023 and 30 October 2023 in relation to, among other things, the delay in publication of the announcement in respect of preliminary results for the year ended 30 June 2023.

The board (the "**Board**") of directors of the Company (the "**Directors**") is pleased to present the preliminary results of the Company for the year ended 30 June 2023. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2023 as set out below have been agreed by the Group's independent auditors, ZHONGHUI ANDA CPA Limited, and are consistent with the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	Year ended 30 June 2023 HK$'000	1 January 2021 to 30 June 2022 HK$'000
Revenue		**869,637**	202,822
Interest revenue		**3,273**	6,173
Total revenue	3	**872,910**	208,995
Cost of sales		**(619,223)**	(154,081)
Gross profit		**253,687**	54,914
Other income and other gains and losses	4	**268,633**	17,491
Selling and distribution expenses		**(36,185)**	(6,858)
Administrative expenses		**(80,943)**	(167,475)
Profit/(loss) from operations		**405,192**	(101,928)
Impairment loss on exploration and evaluation assets		**–**	(107,970)
Impairment loss on interest in an associate		**(75,860)**	–
Impairment of loan and interest receivables		**(4,264)**	(30,628)
Impairment of other receivables		**(2,481)**	–
Share of results of associates		**(38,208)**	(85,310)
Finance costs	6	**(84,618)**	(36,472)
Profit/(loss) before tax		**199,761**	(362,308)
Income tax expense	7	**(167,247)**	(3)
Profit/(loss) for the year/period	8	**32,514**	(362,311)
Profit/(loss) for the year/period attributable to:			
Owners of the Company		**69,131**	(347,517)
Non-controlling interests		**(36,617)**	(14,794)
		32,514	(362,311)

	Note	Year ended 30 June 2023 HK$'000	1 January 2021 to 30 June 2022 HK$'000
Profit/(loss) for the year/period		**32,514**	(362,311)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(18,279)**	(11,332)
Share of associates' exchange differences on translating foreign operations		**(68,261)**	(39,649)
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**1,005**	4,449
Other comprehensive loss for the year/period, net of tax		**(85,535)**	(46,532)
Total comprehensive loss for the year/period		**(53,021)**	(408,843)
Total comprehensive loss for the year/period attributable to:			
Owners of the Company		**(15,817)**	(394,046)
Non-controlling interests		**(37,204)**	(14,797)
		(53,021)	(408,843)
Earnings/(loss) per share	*10*		
Basic (cents per share)		**0.64**	(3.24)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**At 30 June 2023 *HK$'000***	At 30 June 2022 *HK$'000*
Non-current assets			
Exploration and evaluation assets	*11*	**–**	–
Property, plant and equipment		**64,502**	70,536
Right-of-use assets		**2,365**	9,678
Interests in associates	*12*	**893,376**	1,075,705
Loans and interests receivables	*13*	**3,215**	6,431
		963,458	1,162,350
Current assets			
Inventories	*14*	**16,010**	34,930
Properties under development for sales	*15*	**1,249,032**	1,349,567
Properties held for sales	*15*	**211,636**	702,754
Trade and other receivables	*16*	**221,579**	336,783
Loans and interests receivables	*13*	**7,337**	12,853
Amounts due from associates		**314,497**	354,449
Current tax assets		**30**	938
Bank and cash balances		**41,427**	167,450
		2,061,548	2,959,724
Current liabilities			
Trade and other payables	*17*	**(510,881)**	(1,255,242)
Promissory note	*18*	**–**	(234,484)
Lease liabilities		**(1,026)**	(4,613)
Borrowings		**(1,061,812)**	(1,021,135)
Shareholders loans		**(282,600)**	(290,600)
Current tax liabilities		**(136,924)**	(5,929)
		(1,993,243)	(2,812,003)
Net current assets		**68,305**	147,721
Total assets less current liabilities		**1,031,763**	1,310,071

	Notes	At 30 June 2023 HK$'000	At 30 June 2022 HK$'000
Non-current liabilities			
Lease liabilities		**(1,312)**	(6,125)
Borrowings		**(19,544)**	(210,279)
Deferred tax liabilities		**(48,371)**	(78,110)
		(69,227)	(294,514)
NET ASSETS		**962,536**	1,015,557
Capital and reserves			
Share capital		**429**	429
Reserves		**973,701**	989,518
Equity attributable to owners of the Company		**974,130**	989,947
Non-controlling interests		**(11,594)**	25,610
TOTAL EQUITY		**962,536**	1,015,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eighteen months ended 30 June 2023

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 year ended 30 June 2023 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

The current financial statements cover a twelve months year ended 30 June 2023 and the comparative financial statements cover a eighteen-months period ended 30 June 2022. The comparative amounts are, therefore, not entirely comparable.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2022. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year 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.

3. 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 year/peiod represents manufacture and sales of healthcare and household products, property development and interest income from money lending business. An analysis of the Group's revenue for the year/period is as follows:

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Property development	**697,216**	–
Manufacture and sales of healthcare and household products	**172,421**	202,822
Revenue from contracts with customers	**869,637**	202,822
Interest income from money lending business	**3,273**	6,173
Total revenue	**872,910**	208,995

Note:

Disaggregation of revenue from contracts with customers:

Segments	**Property development**		**Healthcare & household products**	
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Geographical markets				
United States of America	**–**	–	**140,165**	154,488
The People's Republic of China (the "**PRC**")	**697,216**	–	**965**	6,022
Germany	**–**	–	**13,515**	23,954
France	**–**	–	**320**	692
United Kingdom	**–**	–	**1,393**	1,881
Hong Kong and others	**–**	–	**16,063**	15,785
Total	**697,216**	–	**172,421**	202,822

Manufacture and sales of healthcare and household products

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.

Property development

The Group develops and sells residential properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The Group did not grant any credit terms to its customers. For all customers, deposits are required. Deposits received are recognised as a contract liability.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Income from scrap sales	**782**	959
Interest income	**299**	6,862
Government grants	**310**	–
Net exchange gains	**641**	–
Gain on waiver of promissory note (note 18)	**225,955**	–
Gain on forfeiture of non-refundable deposit (note 17)	**24,000**	–
Interest income from an associate	**14,386**	18,571
Waiver of loan interest receivables (note 13)	**–**	(6,834)
Discounting of loan and interest receivables (note 13)	**–**	(3,672)
Gain on disposals of property, plant and equipment	**130**	32
Written off of property, plant and equipment	**(19)**	(40)
Gain on a lease termination	**1,037**	–
Others	**1,112**	1,613
	268,633	17,491

5. 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 (30 June 2022: five) reportable segments: property development, manufacturing and sales of healthcare and household products, coal mining business, money lending business and primary land development.

Segment profits or losses do not include impairment loss on exploration and evaluation assets, gain on waiver of promissory notes, gain on forfeiture of non-refundable deposit, unallocated share of results of associates, unallocated finance costs and unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

Information about reportable segment profit or loss, assets and liabilities

	Property development	Primary land development	Money lending business	Coal mining business	Healthcare and household products business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year Ended 30 June 2023						
Revenue	**697,216**	**–**	**3,273**	**–**	**172,421**	**872,910**
Segment (loss)/profit	**(58,613)**	**(114,645)**	**(1,044)**	**(758)**	**(6,131)**	**(181,191)**
Finance costs	**(69,895)**	**(3)**	**–**	**–**	**(1,297)**	**(71,195)**
Depreciation	**(111)**	**–**	**–**	**–**	**(3,615)**	**(3,726)**
Impairment of assets	**–**	**(75,860)**	**(4,264)**	**–**	**–**	**(80,124)**
Income tax expense	**(166,246)**	**–**	**–**	**–**	**(96)**	**(166,342)**
Additions to segment non-current assets	**–**	**–**	**–**	**–**	**2,701**	**2,701**
At 30 June 2023						
Segment assets	**1,657,430**	**572,625**	**10,608**	**–**	**126,316**	**2,366,979**
Segment liabilities	**1,556,311**	**25,782**	**–**	**–**	**113,214**	**1,695,307**
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	–	–	(30,628)	(107,970)	–	(138,598)
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

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

	Year Ended 30 June 2023	1 January 2021 to 30 June 2022
	HK$'000	*HK$'000*
Revenue:		
Property development	**697,216**	–
Healthcare and household products business	**172,421**	202,822
Interest income from money lending business	**3,273**	6,173
Consolidated revenue for the year/period	**872,910**	208,995
Profit or loss:		
Total loss of reportable segments	**(181,191)**	(193,150)
Share of results of associates	**(877)**	(1,563)
Impairment on exploration and evaluation assets	**–**	(107,970)
Finance costs	**(13,423)**	(25,400)
Gain on waiver of promissory note	**225,955**	–
Gain on forfeiture of non-refundable deposit	**24,000**	–
Corporate and unallocated loss	**(21,950)**	(34,228)
Consolidated profit/(loss) for the year/period	**32,514**	(362,311)

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
Assets:		
Total assets of reportable segments	**2,366,979**	3,421,773
Corporate and unallocated assets:		
– Bank and cash balances	**1,057**	5,069
– Interest in an associate	**545,766**	580,824
– Others	**111,204**	114,408
Consolidated total assets	**3,025,006**	4,122,074
Liabilities:		
Total liabilities of reportable segments	**1,695,307**	2,485,559
Corporate and unallocated liabilities		
– Shareholders loans	**282,600**	290,600
– Others	**84,563**	330,358
Consolidated total liabilities	**2,062,470**	3,106,517

Geographical information:

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Revenue:		
United States of America	**140,165**	154,488
The People's Republic of China (the "**PRC**")	**698,181**	6,022
Germany	**13,515**	23,954
France	**320**	692
United Kingdom	**1,393**	1,881
Hong Kong and others	**19,336**	21,958
	872,910	208,995

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

	30 June 2023 *HK$'000*	30 June 2022 *HK$'000*
Non-current assets:		
Indonesia	**847**	847
The PRC	**411,902**	572,391
Hong Kong and others	**547,494**	582,681
	960,243	1,155,919

Revenue from major customers:

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Healthcare and household products business segment		
Customer A	**96,249**	131,308
Customer B	**N/A***	36,516

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

* Customer did not contribute more than 10% of the total consolidated revenue of the Group.

6. FINANCE COSTS

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Interest on other loans	**37,307**	32,969
Interest on bank loans	**36,069**	83,098
Interests on shareholders loans	**12,660**	23,855
Leases interests	**635**	2,494
	86,671	142,416
Less: interest capitalised in properties under development for sale	**(2,053)**	(105,944)
	84,618	36,472

7. INCOME TAX EXPENSE

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year/period	**(38,823)**	(3)
– Land appreciation tax	**(152,510)**	–
– Deferred tax	**24,991**	–
Hong Kong Profits Tax		
– Under-provision in prior years	**(905)**	–
	(167,247)	(3)

PRC enterprise income tax is almost provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purposes.

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

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (period ended 30 June 2022: 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 and the (profit)/loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
(Profit)/loss before tax	**(199,761)**	362,308
Add: Share of results of associated companies	**(38,208)**	(85,310)
Less: Land appreciation tax	**152,510**	–
	(85,459)	276,998
Tax at the domestic income tax rate of 16.5% (2022: 16.5%)	**(14,101)**	45,705
Tax effect of non-taxable income	**43,082**	322
Tax effect of non-deductible expenses	**(34,473)**	(24,678)
Tax effect of utilisation of tax losses not previously recognised	**14,675**	1,771
Under-provision in prior years	**(905)**	–
Land appreciation tax	**(152,510)**	–
Tax effect of tax losses not recognised	**(18,345)**	(39,811)
Effect of different tax rates of subsidiaries	**(4,670)**	16,688
Income tax expense for the year/period	**(167,247)**	(3)

8. PROFIT/(LOSS) FOR THE YEAR/PERIOD

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

	Year Ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
Auditor's remuneration	**1,000**	1,400
Cost of inventories sold#	**619,223**	154,081
Depreciation – property, plant and equipment	**3,891**	6,654
Depreciation – right of use assets	**4,960**	16,946
Waiver of loan interest receivables (note 13)	**–**	6,834
Discounting of loan and interest receivables (note 13)	**–**	3,672
Impairment on exploration and evaluation assets (note 11)	**–**	107,970
Impairment of loan receivables (note 13)	**2,367**	25,353
Impairment of loan interest receivables (note 13)	**1,897**	5,275
Impairment loss on interest in an associate (note 12)	**75,860**	–
Impairment of other receivables	**2,481**	–
Net exchange (gain)/losses	**(641)**	1,086
Short term lease expenses	**154**	131
Research and development costs	**–**	67
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**86,809**	102,505
– Retirement benefits scheme contributions	**873**	2,537
	87,682	105,042

\# Cost of inventories sold includes staff costs and depreciation of approximately HK$43,147,000 in total (period ended 30 June 2022: approximately HK$34,277,000), which are included in the amounts disclosed separately above.

9. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the year ended 30 June 2023 (eighteen months ended 30 June 2022: Nil).

10. EARNINGS/(LOSS)PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$69,131,000 (2022: loss for the period attributable to owners of the Company of approximately HK$347,517,000) and the weighted average number of ordinary shares of 10,721,667,000 (2022: 10,721,667,000) in issue during the year/period.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the year ended 30 June 2023 and eighteen months ended 30 June 2022.

11. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights *(note a)* *HK$'000*	Others *(note b)* *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2021, 30 June 2022, 1 July 2022 and 30 June 2023	444,127	17,904	462,031
Accumulated impairment			
At 1 January 2021	340,341	13,720	354,061
Impairment losses (note c)	103,786	4,184	107,970
At 30 June 2022	444,127	17,904	462,031
Impairment losses (note d)	–	–	–
At 30 June 2023	444,127	17,904	462,031
Carrying amount			
At 30 June 2023	–	–	–
At 30 June 2022	–	–	–

(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) 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.

(d) On 24 August 2023, the Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. The Mining License has become valid and has legal force with effect from the same date, subject to confirming its commitments to the authorities, including but not limited to that the Group has to carry out mining activities no later than six months after obtaining the approval of the work and budget plan. On 9 September 2023, the Group entered into an exclusive cooperation agreement with a company, which engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine. The Group expected that the application of the work and budget plan will be made and actual production of coal shall commence upon the approval of the work and budget plan is obtained. Details are stated in the Company's announcement dated 31 August 2023. Since the application of the work and budget plan is not yet made and the approval of the work and budget plan is yet to be obtained up to the date of this announcement so that the final outcome of reinstatement of the Mining License is uncertain, no reversal of impairment losses was made during the year ended 30 June 2023.

12. INTERESTS IN ASSOCIATES

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
Unlisted investment		
Share of net assets	**878,607**	980,811
Goodwill	**87,444**	94,894
Impairment	**(72,675)**	–
	893,376	1,075,705

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.

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 2023	30 June 2022	**30 June 2023**	30 June 2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets	**3,093,274**	3,642,265	**–**	–
Current assets	**627,197**	566,668	**2,132,871**	2,266,783
Non-current liabilities	**(300,588)**	(326,200)	**(498,843)**	(530,073)
Current liabilities	**(2,526,678)**	(2,798,284)	**(74,698)**	(77,214)
Net assets (net of non-controlling interests)	**783,155**	941,146	**1,559,330**	1,659,496
Group's share of net assets	**332,841**	399,987	**545,766**	580,824

	Year ended 30 June 2023	1 January 2021 to 30 June 2022	**Year ended 30 June 2023**	1 January 2021 to 30 June 2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**–**	11,529	**–**	–
Loss for the year/period	**(97,944)**	(219,689)	**(2,507)**	(4,465)
Other comprehensive loss	**(93,300)**	(5,425)	**(97,659)**	(127,970)
Total comprehensive loss	**(191,244)**	(225,114)	**(100,166)**	(132,435)

13. LOANS AND INTERESTS RECEIVABLES

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
Loans receivables	**42,935**	49,291
Discounting *(note 4)*	**(3,315)**	(3,315)
Impairment allowance	**(30,720)**	(28,353)
	8,900	17,623
Interests receivables	**16,181**	14,293
Waiver of loan interest receivables *(note 4)*	**(6,834)**	(6,834)
Discounting *(note 4)*	**(357)**	(357)
Impairment allowance	**(7,338)**	(5,441)
	1,652	1,661
	10,552	19,284
Analysed for reporting purposes as:		
– Non-current assets	**3,215**	6,431
– Current assets	**7,337**	12,853
	10,552	19,284

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 2023	30 June 2022
	HK$'000	*HK$'000*
Over 12 months	**8,900**	17,623

The loans advanced to the borrowers under the Group' s money lending business normally had loan periods from 6 to 12 months (30 June 2022: 6 to 12 months). The loans provided to borrowers bore interest rate ranging from 7% – 24% per annum (30 June 2022: 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 2023 represented unsecured loans granted to independent third parties with principal amount of HK$42,935,000 (30 June 2022: HK$49,291,000) 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 2023, the management believes that these loan and interest receivables are considered fully recoverable except for HK$38,058,000 (30 June 2022: 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 (30 June 2022: HK$19,792,000) and HK$4,942,000 (30 June 2022: HK$3,557,000), respectively, were ordered to be wound up by the High Court. Since the credit risk is significantly increased, the impairment allowance of HK$16,491,000 and HK$4,118,000 were recognised for loan and interest receivables as at 30 June 2023 (30 June 2022: HK$15,150,000 and HK$2,723,000 were recognised for loan and interest receivables), respectively.

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 4). 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 borrowers with outstanding loan principal and interest of approximately HK$1,063,000 (30 June 2022: HK$1,173,000) and HK$261,000 (30 June 2022: HK$205,000) (after netting of expected credit losses of HK$3,937,000 and HK$966,000 (30 June 2022: HK$3,827,000 and HK$671,000)) respectively. Up to the date of this announcement, 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 2023	30 June 2022
	HK$'000	*HK$'000*
Impairment allowance at the beginning of year/period	**33,794**	3,166
Impairment during the year/period	**4,264**	30,628
Total impairment allowance	**38,058**	33,794

14. INVENTORIES

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
Raw materials	**4,587**	8,765
Work in progress	**2,892**	5,449
Finished goods	**8,531**	20,716
	16,010	34,930

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

(a) Properties under development for sales

	2023	2022
	HK$'000	*HK$'000*
Cost		
At 1 July 2022/1 January 2021	**1,349,567**	1,559,362
Additions	**5,667**	528,463
Transfer to properties held for sales	**–**	(702,754)
Effect of foreign exchange difference	**(106,202)**	(35,504)
At 30 June	**1,249,032**	1,349,567
Properties under development for sales of which:		
– Expected to be recovered within 1 year	**–**	–
– Expected to be recovered over 1 year	**1,249,032**	1,349,567
	1,249,032	1,349,567

As at 30 June 2023, the Group's properties under development for sales are situated in Nanjing, the PRC. The properties under development of HK$498,556,000 (30 June 2022: HK$539,326,000) were pledged to secure bank borrowings granted to the Group.

Since August 2022, the construction of the properties under development 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.

16. TRADE AND OTHER RECEIVABLES

	Note	**30 June 2023**	30 June 2022
		HK$'000	*HK$'000*
Trade receivables and bills receivables	*a*	**39,740**	51,323
Prepayment and deposits		**29,219**	22,826
Prepaid tax		**9,203**	54,170
Consideration receivable	*b*	**86,400**	86,400
Due from related companies	*c*	**29,440**	102,634
Other receivables		**27,577**	19,430
		221,579	336,783

	30 June 2023	30 June 2022	1 January 2021
	HK$'000	*HK$'000*	*HK$'000*
a. Contract receivables (included in trade receivables)	**39,740**	51,323	38,889

b. In May 2019, the Group entered agreement to dispose of 100% equity interest in Ample One Limited to Joyful Treasure Enterprises Limited ("**Joyful Treasure**") 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 Joyful Treasure 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 Joyful Treasure 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, Joyful Treasure defaulted the settlement. In August 2021, HK$5 million interest was settled. As the Group is unable to reach satisfactory settlement plan with Joyful Treasure, the Group has commenced legal action against Joyful Treasure to recover the outstanding balance. Up to the date of this announcement, the outcome of the legal action is still pending.

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

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 2023	30 June 2022
	HK$'000	*HK$'000*
0 to 30 days	**12,044**	18,298
31 to 90 days	**20,671**	26,800
91 to 180 days	**6,995**	5,164
Over 180 days	**30**	1,061
	39,740	51,323

17. TRADE AND OTHER PAYABLES

		30 June 2023	30 June 2022
	Note	***HK$'000***	*HK$'000*
Trade payables and bills payables	*a*	**69,618**	54,872
Accruals and other payables		**124,738**	84,715
Due to a related company	*b*	**18,711**	107,521
Loan interest payables		**120,690**	51,028
Non-refundable deposit received	*c*	**–**	24,000
Amounts due to directors		**999**	1,767
Contract liabilities	*d*	**176,125**	931,339
		510,881	1,255,242

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 2023	30 June 2022
	HK$'000	*HK$'000*
0 to 30 days	**11,596**	8,791
31 to 90 days	**13,017**	22,657
91 to 180 days	**5,676**	15,729
Over 180 days	**39,329**	7,695
	69,618	54,872

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 the Company's announcement dated 28 February 2022. Subsequently, the Group entered several extension agreements to extend completion to 9 January 2023. On 3 January 2023, the Disposal has been terminated and will not proceed, and the non-refundable deposit was forfeited and gain on forfeiture of non-refundable deposit was recognised as other income during the year ended 30 June 2023.

d. Contract liabilities

	30 June 2023	30 June 2022	1 January 2021
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities – Property and development	**176,125**	931,339	364,755

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

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
– 2023	**–**	771,182
– 2024	**9,157**	160,157
– 2025	**166,968**	–
	176,125	931,339

Significant changes in contract liabilities during the year/period:

	Year ended 30 June 2023 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*
(Decrease)/increase due to operations in the year/ period	**(57,998)**	566,584
Transfer of contract liabilities to revenue	**697,216**	–

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.

18. 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 RMB200,000,000 as a part of the settlement of the consideration.

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

On 3 January 2023, the Disposal has been terminated and will not proceed, and that the promissory note is no longer a valid instrument. As a result, the Group has recognised a gain from the waiver of the promissory note during the year ended 30 June 2023.

19. 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 year/period.

AN EXTRACT OF INDEPENDENT AUDITORS' REPORT

The Company has engaged ZHONGHUI ANDA CPA Limited as independent auditors (the "**Auditors**") to audit the consolidated financial statements of the Group and the following is an extract of the auditors' report on the Group's consolidated financial statements for the year. The auditors' report will be contained in the annual report of the Company for the year to be published by the Company on or before 30 November 2023.

"Qualified Opinion

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year 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 the reinstatement. On 24 August 2023, the Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. The Mining License has become valid and has legal force subject to the Group confirming its certain commitments to the authorities, including but not limited to that the Group has to carry out mining activities no later than six months after obtaining the approval of the work and budget plan. On 9 September 2023, the Group entered into an exclusive cooperation agreement with a company, which engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine. The Group expected that the application of the work and budget plan will be made by December 2023 and actual production of coal shall commence upon the approval of the work and budget plan is obtained.

   Since the application of the work and budget plan is not yet made and the approval of the work and budget plan is yet to be obtained up to the date of this report so that the final outcome of reinstatement of the Mining License is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2023 and 2022 of approximately HK$Nil and HK$Nil respectively, and to appropriateness of the recognition of the related impairment of exploration and evaluation assets on the consolidated statement profit or loss and other comprehensive income of approximately HK$Nil and HK$107,970,000 respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022.

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$347,610,000 and HK$494,881,000, as at 30 June 2023 and 2022 respectively, impairment loss on interest in an associate of approximately HK$75,860,000 and HK$Nil respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022, share of loss of approximately HK$37,331,000 and HK$83,747,000 respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022 and share of associate's exchange differences on translating foreign operations of approximately HK$34,080,000 (loss) and HK$5,141,000 (income) respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022. The Associate is engaged in primary land development in the People's Republic of China (the "**PRC**").

During the year ended 30 June 2023 and the period from 1 January 2021 to 30 June 2022, the Associate incurred significant loss 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 of the Associate. As such, the value in use of the Associate cannot be reliably measured. In addition, the Associate temporarily suspended its business operations from February 2023, the management is unable to obtain complete accounting books and records of the Associate. As a result, we are unable to ascertain the recoverable amount of the Associate as at 30 June 2023 and 2022 and the accuracy of the share of loss, share of associate's exchange differences on translating foreign operations and impairment loss on interest in an associate for the year ended 30 June 2023 and the period from 1 January 2021 to 30 June 2022.

In addition, we are unable to ascertain that the amount due from the Associate of approximately HK$292,616,000 and HK$317,549,000 respectively as at 30 June 2023 and 2022 can be recovered in full, whether any expected credit loss should be recognised for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022 and the validity of the interest income of approximately HK$14,386,000 and HK$18,571,000 recognised respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022.

3. Properties under development for sales and prepayments

As mentioned in notes 24 and 29 to the consolidated financial statements, during the year ended 30 June 2023 and subsequent to the 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 under development for sales (the "**PUD**") was temporarily suspended since August 2022. The carrying amount of the PUD of Yuanding as at 30 June 2023 and 2022 was approximately HK$1,249,032,000 and HK$1,349,567,000 respectively. In estimating the net realisable 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 realisable value of the PUD is higher than its carrying amount and any write down on PUD should be recognised for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022. In addition, we are unable to determine the prepayments of approximately HK$35,115,000 and HK$25,947,000 respectively as at 30 June 2023 and 2022 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 2023 and 2022. As at the date of this report, the Company 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 sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2023 and 2022, and whether any impairment loss should be made for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022.

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 year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022 and the financial position of the Group as at 30 June 2023 and 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 net operating cash outflow of approximately HK$67,549,000 for the year ended 30 June 2023 and as at 30 June 2023, the Group's current portion of bank and other borrowings amounted to approximately HK$1,061,812,000, while its cash and bank balances and cash equivalents amounted to approximately HK$41,427,000. Further, during the year ended 30 June 2023 and 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."

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 (the "**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 response 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 final outcome of the reinstatement of the Mining License as the work and budget plan is not yet made and the approval of the work and budget plan is yet to be obtained, they were unable to obtain sufficient appropriate audit evidence to satisfy themselves the accuracy and recoverability of exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2023 and 2022 and the related impairment of exploration and evaluation assets on the consolidated statement profit or loss and other comprehensive income. Therefore, they have qualified its audit opinion in this regard.

View of the Management

Despite receiving notification from the Indonesian Government on 24 August 2023, stating that the decision to revoke the Mining License has been cancelled and that the Mining License is now valid and has legal force, subject to the Group fulfilling certain commitments to the authorities, including initiating mining activities within six months of obtaining approval for the work and budget plan, the Management acknowledges the basis of the Auditors' qualified opinion on the fair value of the exploration and evaluation assets and the impairment of these assets. This qualification arises from the fact that the Group has not yet implemented the work and budget plan, nor obtained approval for that. In light of these circumstances, the Management 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 latest status of the work and budget plan, 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

On 9 September 2023, the Group entered into an exclusive cooperation agreement with PT Nusantara Energi Thermal, which is a company engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine. The Group expects that the application of the work and budget plan will be made and approved by December 2023, and the actual coal production will commence in the first half of 2024.

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 work and budget plan is approved and the actual coal production is commenced.

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

The "interest in an associate and amount due from an associate" 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 have expressed concerns regarding the Associate's ability to continue as a going concern, as it relies on future land sales and additional financing. However, due to changes in the property market in the PRC and the delay in land auctions for the Luanping Project, the Auditors have been unable to gather sufficient audit evidence to determine the estimated schedule for land sales and the value in use of the Associate. Furthermore, the Management has been unable to access complete accounting books and records of the Associate, as its business operations were temporarily suspended from February 2023.

As a result of these challenges, the Auditors are unable to ascertain the recoverable amount of the Associate as of 30 June 2023 and 2022. They also express uncertainty regarding the accuracy of the share of loss, share of associate's exchange differences on translating foreign operations, and impairment loss on interest in an associate for the year ended 30 June 2023, and the period from 1 January 2021 to 30 June 2022.

In addition, the Auditors consider that they are unable to ascertain (i) whether the amount due from the Associate of approximately HK$$292,616,000 and HK$317,549,000 respectively as at 30 June 2023 and 2022 can be recovered in full; (ii) whether any expected loss should be recognised for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022; and (iii) the validity of the interest income of approximately HK$14,386,000 and HK$18,571,000 recognised respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022. As such, they have qualified its audit opinion in these regards.

View of the management of the Company
The Management considers the impairment loss made on the interest in the Associate of approximately HK$75,860,000 for the year ended 30 June 2023 to be reasonable, as such impairment loss represents the difference between (i) the value in use of the Associate of approximately RMB321.8 million as at 30 June 2023; and (ii) the book value of the interest of the Associate, which comprised the share of net assets of the Associate and the amount of goodwill in relation thereto, of approximately RMB389.0 million as at 30 June 2023.

The Management acknowledges that the Associate's ability to continue as a going concern relies on the future sales of land and additional financing. Furthermore, the Associate temporarily suspended its business operations starting from February 2023. In light of these circumstances, the Management acknowledges the basis of the aforesaid qualification by the Auditors. 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 basis of the impairment loss made on the interest in the Associate. In the meanwhile, having taken account of the temporary suspension of business operation of the Associate as well as the uncertainty in the resumption of land auction for the Luanping Project, the Audit Committee also agrees with the Management's position on, and accepts the basis of, the qualified opinion of the Auditors in these regards.

The Company's proposed plan to address the qualified opinion

The business operations of the Associate have been temporarily suspended since February 2023 due to significant operational, debt, and liquidity issues. The Management acknowledges that these problems could not be resolved in the short term. However, the Associate is actively working to coordinate with all relevant parties, including the Luanping government, to facilitate the resumption of the land auction and promote the implementation of the EOD Project. More detailed information can be found in the "Prospect" section below. Once the land auction for the Luanping Project resumes and/or the EOD Project materializes, the Associate will resume its operations, and the cash flow issues will be alleviated, thereby addressing the concerns raised in the qualification.

In addition, on 13 October 2023, the Group entered into a memorandum of understanding with an independent buyer for the disposal of Group's entire properties development projects in the PRC (the "**Potential Disposal**"), including its interest in the Associate, details of which are set out in the section headed "Important events after the end of the year" below. If the Potential Disposal materializes and is successfully completed, the Group will no longer hold any interest in the Associate and the qualified opinion regarding the value of the interest in Associate and relevant matters will be removed.

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 Yuanding (as defined in the Auditors' opinion) 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 current status of Yuanding, the Group is actively engaged in discussions with the bank to establish a new repayment plan, taking into account that the bank borrowings are fully secured by pledged assets of Yuanding. The Management is optimistic about reaching an agreement with the bank and is positive about the outcome. Based on these circumstances, the Management believes that there is no need to make any impairments to the properties under development for sales or the relevant prepayments.

Notwithstanding the above, the Management acknowledges the basis of the qualification by the Auditors in respect of the properties under development for sales and prepayments, 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 prepayments. 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 is actively engaged in negotiations with the bank and creditors to secure loan renewal and repayment extensions. The aim is to obtain sufficient funding to resume the construction work on the project. Once the project company has successfully secured financing and resumed the development of the property project, the qualified opinion regarding the carrying value of the properties under development for sales and related prepayments will be resolved and removed.

As mentioned above, if the Potential Disposal materializes and is successfully completed, the Group will no longer hold any interest in Yuanding and this qualified opinion 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 2023 and 2022, due to the uncertainty of the outcome of the legal action.

View of the management of the Company
In May 2023, the Management took the necessary step of initiating legal proceedings to recover the Receivable. However, since the outcome of the legal proceedings is still pending, the Management acknowledges the basis of the qualification made by the Auditors regarding the recoverability of the Receivable. The Management accepts the Auditors' qualified opinion on this matter, recognizing the uncertainty surrounding the final recovery of the Receivable until the legal proceedings are resolved.

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

The Company has taken the necessary step of initiating legal proceedings to recover the Receivable and is actively monitoring the latest status of the legal proceedings. The Management anticipates that the qualified opinion regarding the Receivable could be resolved, and any relevant impairment (if any) could be determined, once the outcome of the legal action, whether it is favorable 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$1,061.8 million as at 30 June 2023, 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 believes that the possibility for the banks and other lenders to take any actions against the Group to recover for the overdue loans in the near future is low, given that:

(i) certain borrowings of approximately HK$559.5 million in relation to the Nanjing Project – the creditor has not taken any actions against the Group as at the date of this announcement. Based on the discussions with the creditor, the creditor understood the situation of the Nanjing Project and it would request the Group to repay the borrowings after the first phase of the project is sold;

(ii) certain borrowings of approximately HK$116.5 million in relation to the Nanjing Project – the borrowings are due to two companies which have long-term relationship with the Group and they have not taken any actions against the Group as at the date of this announcement;

(iii) the bank borrowing of approximately HK$345.4 million in relation to the Nanjing Project – the bank borrowing is fully secured by certain properties under development, land use rights, 100% equity interest of the Nanjing Project Company, 51% equity interest of which is held by the Company through a subsidiary, and a joint and several liability guarantee executed by such subsidiary. The Group has been actively negotiating with the bank on a new repayment plan. It is believed that the Group would be able to reach a settlement plan with the bank by 31 December 2023;

(iv) the short-term borrowing of HK$20.0 million of the Company – the amount is fully settled by the issuance of the capitalisation shares under the general mandate, details of which are set out in the announcements of the Company dated 1 August 2023 and 11 August 2023;

(v) the borrowing of approximately HK$10.8 million in relation to the Dongguan Project – after the year ended 30 June 2023, the Dongguan Project Company has entered into sales and purchase agreements to sell several residential units with proceeds that are sufficient to settle the aforesaid borrowings by end of December 2023;

(vi) the borrowing of approximately HK$4.5 million in relation to the daily operation of the Group's real estate projects. The creditor has long-term relationship with the Group and has not taken any actions against the Group as at the date of this announcement;

(vii) the bank borrowing of approximately HK$2.7 million in relation to the healthcare and household products business segment – the Group has long-standing relationship with the bank. The Group is confident that the borrowing will be renewed when it falls due; and

(viii) certain borrowings of approximately HK$2.3 million in relation to the Company - the borrowings are due to two companies which have long-term relationship with the Company;

(b) for the healthcare and household products business, the Group is cautiously optimistic in the outlook for the healthcare and household products business for FY 2024 and beyond given the more responsive go-to-market strategies, product innovations and retail private labeling. Sales of the toothbrush products are expected to pick up in the coming year with the downstream retail inventory depletion and new products to be launched, which can bring additional cashflow to the Group. On the other hand, the Group continues to adopt revolutionary production designs, gear for automation in production in order to optimize greatest cost efficiency in output and quality. As such, the operating cash flows and financial position will be further improved; and

(c) if the Potential Disposal materializes and is successfully completed, the subsidiaries operating the PRC property development projects will cease to be members of the Group and their financial statements will be deconsolidated from the Group's financial statements. As a result, the financial position of the Group would be significantly improved.

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 announcement. 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 announcement. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Results for the year

Revenue of the Group for the year amounted to approximately HK$872,910,000, which represented an increase of approximately 317.7% as compared to HK$208,995,000 for the eighteen months ended 30 June 2022. The significant increase was mainly due to the delivery of the project in Nancheng District, Dongguan City, Guangdong Province (the "**Dongguan Project**") in July 2022 and the recognition of revenues from the pre-sale payments.

The consolidated profit of the Group for the year amounted to approximately HK$32,514,000 and a loss of approximately HK$362,311,000 was reported for the eighteen months ended 30 June 2022.

Set out below is the review of the business of the Group for the year and the outlook of the Group's business for the year ending 30 June 2024.

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 ("**U.S.**"), Germany, France, the United Kingdom, Japan and Hong Kong. The finished products are also sold in the PRC. The healthcare and household products business contributed the major revenue source of the Group.

The healthcare and household products 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 segment for the year amounted to approximately HK$172,421,000 (the eighteen months ended 30 June 2022: approximately HK$202,822,000), which was higher than the expected HK$145 million to HK$155 million as mentioned in Prospect section of the Group's Interim Report 2023. However, due to the consumer demand slowdown caused by high inflation and corresponding rate hikes overseas, as well as lingering destocking effects after the Covid-19 pandemic, the sales of the Group's traditional powered kids toothbrush products and the powered oral care private label program to the Group's largest customers in U.S. and Europe have not reached the desired level, and the total sales of the segment slightly missed the pre-Covid-19 level which was approximately HK$186,314,000 in 2019. New adult sonic and oscillating electric toothbrushes were in full scale production in the second half of 2022 and the sales from the major chain retailers have achieved the HK$50 million target of the year. The new kids smart-interactive electric toothbrushes were launched in multiple U.S. major retailers in the first quarter of 2023; however, the sales will not increase significantly until the second half of 2023 due to poor logistics and deliveries to retailers in 2022 and early 2023 when China was still affected by the Covid-19 pandemic.

Although negatively impacted by inflation, U.S. remained the largest market for the segment, accounting for approximately 81.3% of the revenue (the eighteen months ended 30 June 2022: 76%), driven by orders from two of the Group's largest Customers, an American multinational consumer goods corporation for kid's toothbrush and an American pharmaceutical company. Europe and the United Kingdom accounted for approximately 8.8% (the eighteen months ended 30 June 2022: 13%) of the Group's revenue from the segment, with the remaining 9.9% (the eighteen months ended 30 June 2022: 11%) of the revenue derived from the PRC, Hong Kong and others.

The segment's gross profit margin for the year was approximately 21.8%, which represents a drop of approximately 2.2% as compared to the gross profit margin for the segment for the eighteen months ended 30 June 2022. This was mainly caused by the global inflation forcing the upstream suppliers to raise the pricing of raw materials during the year.

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 year ending 30 June 2024.

The Group's money lending segment generated revenue of approximately HK$3,273,000 for the year (for the eighteen months ended 30 June 2022: HK$6,173,000). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum. As at 30 June 2023, the total principal amount of the outstanding loans was approximately HK$42,935,000 (as at 30 June 2022: HK$49,291,000). The total loan receivables were approximately HK$8,900,000 (as at 30 June 2022: HK$17,623,000) after netting of a discounting effect of approximately HK$3,315,000 (as at 30 June 2022: HK$3,315,000) and impairment allowance of approximately HK$30,720,000 (as at 30 June 2022: HK$28,353,000).

The Group currently has only five borrowers in the money lending business and the borrowers are primarily from (i) the gold mining and trading industry, (ii) equity investment industry, and (iii) 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 years from 6 to 12 months (30 June 2022: 6 to 12 months), with interest rates ranging from 7% – 24% per annum (30 June 2022: 7% – 24% per annum), depending on the individual credit evaluations of the borrowers. The loan principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

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 2023			30 June 2022		
	Number of borrowers	***HK$'000***	**%**	Number of borrowers	*HK$'000*	%
Principal amount of outstanding loans:						
Up to HK$5,000,000	**2**	**8,000**	**18.6**	2	8,000	16.2
Over HK$5,000,000 to HK$10,000,000 (inclusive)	**2**	**15,144**	**35.3**	3	21,500	43.6
Over HK$10,000,000	**1**	**19,791**	**46.1**	1	19,791	40.2
Total	**5**	**42,935**	**100.0**	6	49,291	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 2023		30 June 2022	
	HK$'000	**%**	*HK$'000*	%
Principal amount of outstanding loans:				
Unsecured loans	**39,935**	**93.0**	46,291	93.9
Collateral-backed loan – property ownership right	**3,000**	**7.0**	3,000	6.1
Total	**42,935**	**100.0**	49,291	100.0

Maturity profile of loan portfolio under the money lending business

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

	30 June 2023		30 June 2022	
	HK$'000	*%*	*HK$'000*	*%*
Principal amount of outstanding loans:				
Past due	**42,935**	**100.0**	24,500	49.7
Due within three months	**–**	**–**	24,791	50.3
Total	**42,935**	**100.0**	49,291	100.00

The assessment of impairment losses

According to the HKFRS 9, the Group measures the expected credit losses (ECLs) of the advanced loans, which 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 announcement, lifetime ECLs were recognised for the advanced loans. The management believed that the loans and interests receivables amounted to approximately HK$38,058,000 were considered as high risk of default and the impairment losses of approximately HK$4,264,000 had been recognised during the year (for the eighteen months ended 30 June 2022: HK$30,628,000).

For detailed discussion on the impairment of loan and interest receivables, please refer to note "13. LOANS AND INTERESTS RECEIVABLES".

Coal mining business

PT Bara Utama Persada Raya ("**PT Bara**"), a 99.98%-owned subsidiary of the Company, holds the Mining License in respect of the coal mine ("**PT Bara Mine**") in the Central Kalimantan Province in the Republic of Indonesia. As disclosed in the announcement of the Company dated 26 April 2022 (the "**Announcement**"), 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. 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 (the "**Reinstatement Application**") to the relevant authorities. Having considered certain factors, including but not limited to the lapse of time from the making of the Reinstatement Application, in March 2023, the legal adviser to PT Bara had advised that they were of the opinion that the chance of the reinstatement of the Mining License would be remote. In this light, the management of the Company considered it appropriate to impair in full the carrying value of the Mining License for the eighteen months ended 30 June 2022. Despite this, the management of the Company has been continuously pursuing with the relevant authorities on the status of the Reinstatement Application.

On 24 August 2023, PT Bara was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled (the "**Notice**"). On 7 September 2023, PT Bara entered into an exclusive cooperation agreement (the "**Exclusive Cooperation Agreement**") with PT Nusantara Energi Thermal ("**PT NET**"). Pursuant to the Exclusive Cooperation Agreement, PT NET shall carry out all production activities which include pre-production, production, sales and post-production operations and bear all costs relating to the aforesaid operations including but not limited to operating costs, land acquisition costs, reclamation and infrastructure costs, taxes and other government expenses. PT NET shall be entitled to the value of sales of coal production but shall be obliged to pay royalty fees to PT Bara in accordance with the terms of the Exclusive Cooperation Agreement. On the other hand, PT Bara shall be obliged to guarantee the validity and completeness of the Mining License and grant full rights and exclusive access to PT NET for carrying out its mining activities.

The Exclusive Cooperation Agreement shall be valid for a period of five years from the agreement date. Based on the preliminary time schedule proposed by PT NET, it is expected that the application of the work and budget plan will be made and approved by December 2023, and actual production of coal shall commence when the approval of the work and budget plan is obtained.

After the past very particular years, with the Covid-19-induced shock, post-pandemic recovery, global energy crisis after the Russo-Ukrainian War, and global inflation, markets are returning to more recognizable patterns in 2023, and the continued economic growth in Asia will provide support for the sales of coal. The Group considers Indonesia's domestic market attractive since Indonesia is one of the largest consumers of coal in the world and the power sector, smelting sector, and other industries are expected to demand more coal. By leveraging on the experience and capabilities of PT NET, the Group expects to generate revenues from the coal mining business in the upcoming future.

Given the circumstance, no capital expenditure was incurred on mining infrastructure as there was no development activity during the year. 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$758,000 for the year (the eighteen months ended 30 June 2022: HK$1,252,000).

The coal resource estimates as at 30 June 2023 were as follows:

	Coal Resource Estimate *(in thousand tonnes)*			
JORC Category	**As at 30 June 2023**	As at 30 June 2022	**Change in %**	**Reason of change**
Measured	**8,705**	8,705	Nil	N/A
Indicated	**11,537**	11,537	Nil	N/A
Inferred	**6,097**	6,097	Nil	N/A
	26,339	26,339		

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.

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 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 the October 2022 Announcement, in the circumstances and to mitigate the possible adverse impact on the Group arising from the prolonged extension of completion date, as at the date of the October 2022 Announcement, the holder of the 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 7 January 2023, the Company announced the termination of the Disposal, that the Disposal would not proceed and that the instrument relating to the said promissory note is no longer a valid instrument.

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

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 (畝) 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 the Associate, a company which in turns holds 90% equity interest in Chengde Development.

The Luanping Project is capital intensive. The cost of development of the infrastructure is borne by Chengde Development, and when the land has been developed to a ready and saleable state, the government authority is obligated to conduct land sale through auctions. Chengde Development will only be able to recover its development costs or receive the share of proceeds after the sale of developed land through auction by the local government. Any delay in land auctions of the Luanping Project would adversely affect the operating cashflow of the Luanping Project.

At the time of the acquisition of the Luanping Project, i.e. in and around December 2018, the Board had expected the project, which is capital intensive in nature, would be able to generate sufficient cashflow and self-finance its operation in the then market environment. Pursuant to the relevant agreements in respect of the Luanping Project, the local government of Luanping County is obligated to ensure the smooth operation of the Luanping Project, and to facilitate obtaining the land sale approval in accordance with the progress of the Luanping Project. As such, when assessing the acquisition of the Luanping Project, the Board had expected that the local government would conduct the land sale in a timely manner and the Luanping Project would be capable of generating sufficient net cash inflow for its capital requirement after the sale of the aforesaid land. It was expected that an aggregate area of developed land of approximately 2,705 mu and 3,281 mu would be sold through land auctions in 2019 and 2020, respectively.

However, as disclosed in the 2021 second interim report of the Group for the year 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. The government authority originally planned to resume the land auctions in 2020 after resolving the ecological environment issue. Unfortunately, due to the Covid-19 pandemic, the sale of land was again severely affected and delayed.

As a result of the unexpected and uncontrollable events as discussed above, no land auctions have been held by the local government in 2019 and the local government had only sold the developed lands with an aggregate area of approximately 388 mu in 2020, which was far behind the schedule of its original plan. More serious still, the local government only held one auction and sold developed land with an aggregate area of only around 6,255 mu during the period from 1 January 2021 to 30 June 2022 and up to the date of this announcement. As a result of the foregoing, the Luanping Project is facing difficulties in generating sufficient cashflow to finance its operations and repay the overdue loans.

Property development

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

The Donguan Project

The Dongguan Project is called CITIC•Cloud Courtyard* (中證•雲庭) and is located in the Nancheng District of Dongguan City, which is a prime area with the most mature supporting facilities and scarce housing supply in the city. The Dongguan Project is a small scale property development project which comprises the development of two composite buildings comprising residential units and commercial units with saleable GFA of approximately 23,280 sq.m. and 4,969 sq.m., respectively, and 110 saleable car parking spaces.

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. The project company 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, the economic turmoil caused by the Covid-19 pandemic over the past three years has resulted in the sales falling short of the expectation.

Set out below is the operating summary of the Dongguan Project as at 30 June 2023:

	Saleable GFA/car parking spaces	**Sale of GFA/ car parking spaces as at 30 June 2023**		**GFA/ car parking spaces available for sale as at 30 June 2023**	
	sq.m./no.	*sq.m./no.*	*Approx.%*	*sq.m./no.*	*Approx.%*
Residential units	23,280	19,738	84.8%	3,542	15.2%
Commercial units	4,969	–	–	4,969	100%
Car parking spaces	110	–	–	110	100%

By July 2022, the construction of the Dongguan Project had been completed and the acceptance certificates were granted. As at 30 June 2023, 205 residential units, representing approximately 84.8% of the total saleable GFA of the 242 residential units, had been sold and aggregate sales revenue of approximately RMB618.3 million (equivalent to approximately HK$697.2 million) was recognised. 37 residential units, 72 commercial units, and 110 parking spaces remain available for sale.

Despite a slight rebound in the real estate market from February to mid-March 2023, as a result of China's Covid-19 restrictions being largely eased since the end of 2022, the demand from home buyers subsequently declined. Competing projects in urban and suburban areas of Dongguan City have repeatedly adjusted their prices significantly due to the fierce competitive environment, and the sales channel costs have increased constantly, resulting in significant disadvantages for the Dongguan Project's unsold units. Despite this, the Group will continue to market the remaining units of the project in the current financial year.

The Nanjing Project

The Nanjing Project is called Spring Breeze* ("泉悦春風") and is located in Naishan ecological scenic area of Long Pao New City, Jiangbei New Area, Nanjing. The Nanjing Project is a large scale property development project comprising three phases with a total GFA of approximately 340,000 sq.m. and includes the development of low-rise comprehensive residential units, commercial buildings, hotel and other ancillary facilities.

Set out below is the operating summary of phase one of the Nanjing Project as at 30 June 2023:

	Saleable GFA/car parking spaces	**Pre-sale of GFA/ car parking spaces as at 30 June 2023**		**GFA/ car parking spaces available for pre-sale as at 30 June 2023**	
	sq.m./no.	*sq.m./no.*	*Approx.%*	*sq.m./no.*	*Approx.%*
Residential units	43,464	6,249	14.4%	37,215	85.6%
Car parking spaces	329	–	–	329	100%

The Nanjing Project Company (Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司)) had commenced the pre-sale of phase-one residential units of the project, representing a total saleable GFA of approximately 43,464 sq.m., since June 2020. However, due to a funding shortage and the adverse impact of Covid-19 pandemic, the construction work of phase one of the Nanjing Project has been suspended since August 2022, so was the pre-sale. As at 30 June 2023, the Nanjing Project Company had pre-sale contracts for 39 residential units, representing about 14.4% of the total saleable GFA of the phase-one residential units, and recorded aggregate contracted pre-sales of approximately RMB140.4 million (of which RMB136.9 million has been received).

Currently, the construction in respect of the main entrance landscaping, the hot spring experience area and the sample house and landscaping has been completed and the cover of the phase-one residential units has been 90% completed. The construction of the remaining phases of the Nanjing Project is yet to recommence pending successful negotiation with financier(s) and the construction company on the funding plan on the project.

Update on the proposed commercial development at Port Dickson, Malaysia

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

Prospect

The Group's business and prospects are largely dependent on the performance of global consumer market and property market in mainland China.

Healthcare and household products business

Looking ahead to the financial year ending 30 June 2024 ("**FY 2024**"), the global consumer market is expected to grow in a slowing pace with inflationary pressures. As such, the Group remains cautiously optimistic in the outlook for the healthcare and household products business for FY 2024 and beyond. With more responsive go-to-market strategies, product innovations and retail private labeling, the Group projects the sales of approximately HK$140 million to HK$150 million for FY 2024.

The sales of the traditional powered kids toothbrush products and the powered oral care private label program will experience a slight year-on-year decline, as the pace of the downstream destocking is slower than expected. However, the latter will rebound to approximately HK$35 million in FY 2024 along with the downstream retail inventory depletion and one high-end sonic toothbrush under development scheduled to launch during the second half of FY 2024.

The sales of the new kids smart-interactive electric toothbrushes are expected to pick up from the recovered logistics and deliveries to retailers during the first half of FY 2024. Also, a second-generation of this type of toothbrushes is set to release soon in major retailers, contributing to a total forecasted sales of approximately HK$30 million in FY 2024.

The Group will continue to expand resources in the research and development capabilities in coping with increasing technical needs from its customers and to be able to stay on top of the competition. In countering the volatile raw material prices and manufacturing costs, the Group continues to adopt revolutionary production designs, gear for automation in production optimizing greatest cost efficiency in output and quality.

The property development and primary land development businesses

The Dongguan Project Company was directly and adversely affected by the downward property market trend as a result of the decline in demand due to weak confidence, debt burdens, decline in population, slowing urbanisation, and high rates of home ownership. The Dongguan Project Company was eventually able to sell most, but not all, of its residential units, however selling the remaining units under the current market conditions at promising prices is considered to be difficult. As the Dongguan Project is a small-scale development project, the aggregate sales to-date of the Dongguan Project is insufficient to support the operations of the other property developer projects of the Group which are currently suspended.

The Nanjing Project will continue to be suspended pending successful negotiation with financier(s) and the construction company on the funding plan on the project.

While the current Luanping Project is suspended, in order to resolve the ecological and environmental problems in the Chaohe Basin (潮河流域), protect the ecological environment of Beijing Miyun and Huairou Districts (北京密雲和懷柔區) and ensure the water safety of the Miyun Reservoir, as well as to achieve the company transformation and development, Chengde Development assisted Luanping County in planning and applying for the "Chaohe River Basin (Luanping Section) Ecological Governance and Rural Revitalization Integrated Development Project" (潮河流域（灤平段）生態治理與鄉村振興產業融合發展) (the "**EOD Project**"). Nevertheless, it is considered that the operation, debt, and liquidity problems in respect of the Luanping Project could not be resolved in a short term.

In light of the challenging property market conditions in the PRC and the operational and financial difficulties faced by the Group's property projects, the Group has made a strategic decision to consider the opportunity of disposing its property projects. To pursue this, the Group entered into the memorandum of understanding with an independent buyer on 13 October 2023 for the Potential Disposal for the entire properties development projects in the PRC, details of which are set out in the section headed "Important events after the end of the year" below.

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 year ending 30 June 2024.

Coal mining business

The Group expects that the application of the work and budget plan will be made and approved by the end of 2023, and the actual coal production will commence in the first half of 2024. Due to the volatile nature of coal prices, the Group remains conservative on the timeline of the coal production and sales.

Liquidity and financial resources

Cash position

As at 30 June 2023, the Group had cash and bank deposits of approximately HK$41,427,000 (30 June 2022: HK$167,450,000) with a foreign currency deposits denominated in Renminbi amounted to approximately HK$36,812,000 (30 June 2022: HK$159,987,000).

Current ratio

As at 30 June 2023, the Group had net current assets of approximately HK$68,305,000 (30 June 2022: HK$147,721,000) and current ratio (being current assets over current liabilities) of 1.03 (30 June 2022: 1.05).

Debts and borrowings

As at 30 June 2023, the Group had total debts and borrowings of approximately HK$1,363,956,000 (30 June 2022: HK$1,522,014,000) which mainly comprised of shareholder loan, unsecured loan from financial institutes and secured bank loan.

Gearing ratio

As at 30 June 2023, the Group's gearing ratio being total debt and borrowings over total equity is 141.7% (30 June 2022: 149.9%).

Exposure to fluctuation in exchange rates, interest rates and related hedges

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

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

Fund raising activities

The Company has not conducted any fund raising activities in the year ended 30 June 2023.

Significant investments held, material acquisitions and disposal of subsidiaries

The Group had no significant investments held, nor any material acquisition nor disposal in the year ended 30 June 2023.

Pledge of assets

As at 30 June 2023, certain land and buildings, amounted to approximately HK$56,612,000 (as at 30 June 2022: approximately HK$61,670,000) of the Group were pledged to secure banking facilities granted to the Group. No trade and bills receivables of the Group (as at 30 June 2022: nil) were pledged under factoring arrangement. Properties under development for sale of the Group amounted to approximately HK$498,556,000 (as at 30 June 2022: HK$539,326,000) were pledged to secure bank borrowings granted to the Group.

Material contingent liabilities

The Group had no material contingent liabilities as at 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 21 employees (as at 30 June 2022: 20) in Hong Kong, 567 employees (as at 30 June 2022: 788) in the PRC and 1 employee (as at 30 June 2022: 1) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

On 13 October 2023, the Group entered into a memorandum of understanding with an independent buyer for the disposal of Group's entire properties development projects in the PRC with a proposed consideration of USD70,000,000. Should the disposal materialize in the near future, the subsidiaries operating the PRC property development projects will cease to be members of the Group and their financial statements will be deconsolidated from the Group's financial statements.

Save as disclosed above, there are no important events affecting the Group which have occurred after 30 June 2023 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Prospect" in this announcement, there were no other future plans for material investments or acquisition of capital assets as at 30 June 2023.

DIVIDENDS

The Board does not recommend any dividend for the year (eighteen months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2023.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, all being the independent non-executive Directors. Mr. Li Hon Kuen is the Chairman of the Audit Committee. The Audit Committee has reviewed the financial information as contained in this announcement.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2023 as set out in this preliminary announcement have been agreed by the Auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2023. Nonetheless, it is noted that the work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 30 June 2023.

CORPORATE GOVERNANCE CODE

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 of the Listing Rules during the year ended 30 June 2023.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 October 2023 at the request of the Company. Following the publication of this announcement, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 7 November 2023 on the Stock Exchange.

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

Hong Kong, 6 November 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Leung Chung Shan, Mr. Tam Lup Wai, Franky, and Mr. Liu Liyang; one non-executive Director, namely Mr. Lim Kim Chai, J.P.; and three independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen.

* *For identification purpose only*